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F. Eberstadt Urges Overhauling of Securities Act As Aid to Post-War Business and Employment

Investment Banker Says Securities Laws and SEC May Block Flow of Capital to Detriment of Employment and Our Whole Economy. Sees Private Foreign Loans Floated Primarily in London as Things Stand Now. Would Give State Blue Sky Authorities Jurisdiction on Issues Up to $1,000,000 and SEC on Issues Above That. Sees Registration Statement and Prospectus in Present Form So Complicated They Are Read by Few and Understood by Less.

Assuming post-war securities flotations at around $16 billion a year, a figure based on an estimated gross national product of $160 billion, Ferdinand Eberstadt, senior partner of F. Eberstadt & Co., investment bankers, New York, appearing before the House Special Committee on Post-War Economic Policy and Planning on May 31, urged simplification and streamlining of the Federal securities laws and regulations so as to facilitate the flow of private investment capital into business and industry, at a rate adequate to maintain a high level of production and employment. Mr. Eberstadt's prepared statement follows in full:

Ferdinand Eberstadt

I would appreciate having the record show that I am not appearing before this Committee on behalf of, or as the representative of, any group or organization. I am here simply as an individual and at the Committee's invitation. No one but myself is responsible for what I say.

The reports of this Committee indicate clearly its realization of the importance and desirability of a free and active private investment market as a stimulant to business and employment in the post-war period. This view seems to be quite generally shared by informed people in business, labor, and government circles. Less general, however, is the realization that certain provisions of our securities laws and regulations and certain administrative practices and procedures of the SEC thereunder may constitute such serious obstacles to the free flow of capital as to jeopardize our attaining the volume of private investment necessary to support that measure of production, consumption, and employment which all of us hope for.

Sustained high levels of business and employment in the post-war period will, of course, require a favorable concurrence of many elements. No single one, however favorable, can alone produce this result. And so, I don't want to seem to over-estimate the relation of active private capital markets to post-war business. But no one, I think, will dispute the statement that they constitute one very essential link in the chain of good business.

If we are to have peacetime production, consumption, and employment levels beyond anything

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Index of Regular Features on page 2532.

Conference Works on Economic Set-up Despite Political Differences

By A. WILFRED MAY

Special Correspondent of the Commercial and Financial Chronicle

Although the Small Powers' Trust in Big Five Disturbed, Progress Is Reported in Deliberations on Set-up of Economic and Social Council. Interim Machinery Proposed for Functioning of World Organization Pending Definite Ratification. Status of Affiliated Organizations Not Yet Determined. Economic and Social Council's Functions Expanded to Include Human Rights and Education. Council Is Also Given Right to Cooperate With Non-Governmental World Organizations and to Call Conferences and Conventions. France's Proposal for a "Raw Materials" Commission Shelved. Termination Date of Conference Uncertain.

A. Wilfred May

SAN FRANCISCO, CAL., June 6—The world's turbulent political happenings compose a dark cloud overshadowing the earnest peace-seeking plans arising from these shores of California. . . . Most disturbing of all are the repeated evidences of the dominant Big Five powers' inability to get along with each other—so soon after V-E Day and even before the end of the conference. . . . The new Organization's necessity of relying on Big Power leadership "as a practical matter" is continually pointed out. . . . **But the 45 small powers' trust in such lead-**

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Cartels—A British View

By ROBERT BOOTHBY, M. P.*
Member, Monetary Policy Committee (Great Britain)
Author of "The New Economy"

British Statesman Maintains That Cartels, Though as Dangerous as Other Monopolies, Are Essential in Eliminating Cut-Throat International Competition and in Adjusting Production to Demand. Says British Attitude Is Toward Controlled Cartels as a Means of Regulating Production and Prices, and Controlling Disastrous International Competition. Views Industrial Concentration in Certain Industries as an Inevitable Development of Competitive Capitalism and Lists Measures Required for Offsetting Dangers of Cartels. Concludes Solution Lies in a Compromise Between a Completely Free and a Completely Planned Economy.

Cartels are only one aspect of the most formidable economic problem which now confronts the Western Democracies—the problem of monopoly. For the power to exploit the "common man" derives invariably from the existence of monopoly, in one form or another.

Robert Boothby, M.P.

Basic monopolies are the unfettered ownership or control of land, credit, minerals and transport. That is why all four are gradually being brought under an increasing

*Mr. Boothby was educated at Eton and at Magdalen College, Oxford. He was elected to Parliament in 1924 and from 1927-29 was Parliamentary Private Secretary of Mr. Winston Churchill as Chancellor of the Exchequer. He was Parliamentary Secretary to the Ministry of Food during 1940-41.

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The Railroads Face the Future

By WAYNE A. JOHNSTON*
President, Illinois Central Railroad

Leading Railroad Executive Recounts Wartime Accomplishments of Railroads and Reviews Post-War Problems in Rail Transportation. Sees Need for Close Cooperation of Men and Management and Further Modernization of Equipment, Though Lines Are Not Faced With Reconversion Problems. Expresses Belief That Heavy Rail Traffic Will Be Sustained and That Both Freight and Passenger Services Will Be Improved. Holds Railroads, if Given Semblance of Equal Opportunity Can Withstand Competition From Other Transportation Services.

Transportation is a continuing enterprise. It goes on and on. It does not start and it does not stop with wars. It serves humanity, whether armed or unarmed. It serves wherever and whenever people or goods are needed more or are worth more at one place than at another. And transportation binds up the wounds of war. It is the ultimate bond of peace as potently as it is a weapon of war.

Wayne A. Johnston

Consequently, the end of the war in Europe means no end to the transportatiton that has been so vital in the prosecution of the war. Instead, it finds the railroads and all their allied carriers entering what may be called a period of transition. We are faced with certain changes in directions and kinds of traffic, but with no appreciable lessening of our combined civilian and military burdens of some years past.

This swing in emphasis from East to West is being taken by the railroads pretty much in stride, for tracks run **both** ways, and traffic reverses readily. Of course the ideal is balanced traffic; there is seldom profit or operating advantage in having all the loaded movement in one direction or the other. In this respect, there will be burdens on the long-haul Western lines, already the unsung heroes of the war in the Pacific; but for some roads there will actually be a better traffic balance, with fewer cars and locomotives and crews to send home empty-handed.

And when the par in the Pacific likewise is ended—God grant it

*An address by Mr. Johnston before the Executives Club of Chicago, Chicago, Ill., June 1, 1945.

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George Kountz With B. J. Van Ingen Co.

B. J. Van Ingen & Co., Inc., 57 William Street, New York City, announces that George H. Kountz is now associated with them in their Buying Department. Mr. Kountz has recently been serving in the armed forces. Prior thereto he was with Einhorn & Co.; was a partner in Seufferle & Kountz, and an officer of Charles A. Hinsch & Co. in Cincinnati.

Financing Small Business Joint Work of Government and Banks

By JOHN W. SNYDER*
Federal Loan Administrator

Head of Reconstruction Finance Corporation Points Out to House Committee That Banks and Other Private Agencies Are Taking Steps to Provide Greater Financial Facilities for Small Business and He Tells of the Measures Taken by His Organization to Assist This Movement, Though a Blanket Participation Agreement Says RFC Will Make Direct Loans Only Where Banks Do Not Find It Possible to Supply the Needed Credit. Over 20,000 Loans to Small Business Already Authorized.

I appreciate the opportunity of appearing before this Committee to discuss the "Financial Problems of Small Business," and I am glad to have the opportunity of telling you what plans RFC has with respect to this most important subject.

John W. Snyder

You will recall that under the Act RFC is authorized to make business loans where credit at prevailing rates is not otherwise available. Therefore in making loans to business enterprise it is not in competition with private lending institutions, and it has from the beginning preserved the privilege of the banks to make these loans in the first instance. An applicant to the RFC for a business loan is required to show that an effort has been made to secure the desired credit from local lending institutions, and that such credit was not available. A direct loan by RFC is made only after all possibilities of a loan from private banks have been exhausted.

I feel that there is, at this time, a strong desire on the part of banks to provide greater financial facilities for small business after the war. Bankers realize the importance of small businesses in the national economy and the need for encouraging additional small independent enterprises after the war. They also realize that loans must be made to small business on other than a "Gilt-Edge-Collateral" basis. Bankers, however, are required to bear in mind that they are depositaries of private funds and this all-important question of requisite safety to their depositors must be considered by them when making loans.

The American Bankers Association, as you know, created the post-war Small Business Credit Commission under the Chairmanship of a very capable and sympathetic banker, Robert M. Hanes, to study the problems of small business. It is felt that the Bank Credit Pools being organized by this Commission under Mr. Hanes' leadership, can take more risks

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*Statement by Mr. Snyder before the Select Committee on Small Business of the House of Representatives, May 31, 1945.

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What the Public Expects Of Television

By DR. LYNDON O. BROWN*
Of Stewart, Brown & Associates

Dr. Brown Points Out That Despite the Public's Desire for Television, and the Optimistic Prediction Regarding Post-War Sales of Television Sets, the Rosy Prospects Have Some Drawbacks, Such as (1) High Costs in Furnishing Television Networks; (2) Uncertainty of Advertising Use, and (3) the Relatively Higher Prices of Television Sets and Expense of Their Installation. Sees Need of a More Accurate Understanding of Public's Attitude Toward Television.

Lyndon O. Brown

Television has stimulated public imagination and practically everyone has some ideas as to why they would like to have television in their home after the war. Typical of the things expected from television are the following:

A 12-year-old boy on a farm in Texas expects to follow the world series in New York.

A woman in Topeka, Kansas, expects to watch the latest fashion shows of leading New York stores.

A lady in Ohio expects to watch and hear Dr. Fosdick in New York deliver his Sunday sermon.

*An address by Dr. Brown at the First Annual Conference on Radio & Business, City College School of Business, New York, May 23, 1945.

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Washington Pondering Speculation Controls

By HERBERT M. BRATTER

Writer Points Out That Economic Stabilization Office Is Studying Problem of Dealing With Rising Capital Values Despite Strong Public Sentiment Against Additional Government Controls. Says Belief Exists in Official Circles That Increase in Stock Market Margin Trading May Lead to Speculation Fever, but Eccles Proposal to Tax at 90% Capital Gains Has Not Won Approval of Treasury or of Congress, and Has Been Met With Serious Objections. Holds Relative Increase in Farm Values Has Already Reached World War I Peak, and That There Is Fear That Further Rise May Magnify Post-War Readjustment Problem.

Recent newspaper stories to the effect that the Office of Economic Stabilization is considering a program for the curbing of speculation in stocks and real estate has resulted in considerable correspondence setting forth the voice of the people. Most of the letters coming in to Washington on the subject are from business organizations and businessmen who are opposed to any further Washington controls. Those officials who are responsible for doing what can be done to ward off inflation, while cognizant of the pressure which can be exerted by the public to let well enough alone, are engaging in mental speculating of their own. In this process they project recent trends into the future and when they do this, they are far from convinced that nothing should be done.

Herbert M. Bratter

In fact, the existence of so considerable a sentiment among the people, favorable to doing away with what controls of prices and business now exist, is for many a sufficient cause of concern. Therefore, if only as a warning against too rapid relaxation of other wartime measures while the war is still going on in the Pacific, a program to curb rising speculation in stocks, farm land and residential real estate will find strong sup-

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A Plan for Aiding Small Business

By MARRINER S. ECCLES*
Chairman, Board of Governors Federal Reserve System

Chairman Eccles Proposes a Three-Fold Program to Aid Small Business, Comprising (1) Making Available Technological and Managerial Information; (2) Readjustment of the Tax System so as to Favor Particularly the Smaller Enterprises; and (3) the Continuance of the V-Loan Mechanism to Enable the Banking System to Extend Credit. He Opposes Direct Government Loans as Competing With Private Banking, and Favors With Modification the IBA Credit "Pool" Plan.

The present is a strategic time for formulating a sound program for meeting the long-term needs of small business. Small businesses at present are prosperous, but small business as a type of enterprise is under serious handicaps.

Marriner S. Eccles

During the depression, it was assumed that if we could only pump out more and more credit to small business borrowers, all would be well. We conceived of the problem in terms of credit and relief. We now know that a broader approach is necessary.

Small business in practice means independent individual enterprise. It is fortunate for the economy that, along with the growth of a few thousand large businesses in the last half century, enterprises of the individualistic type remain very numerous, about three million in number. The small businesses have much to do with preserving competition, with adding variety to the standard of living, and with supporting independent communities. Also

*Statement made by Mr. Eccles before the Select Committee on Small Business of the House of Representatives, June 1, 1945.

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TVA Replies to Mr. Abrams

W. L. Sturdevant, Its Director of Information, in Letter to the "Chronicle" Denies That the Project's Power Activities Are Unprofitable. Says Electric Revenues Must Absorb Expenses of Governmental Functions Operated by TVA. Holds "Surplus" Provided for Federal Government Fully Offset the Tax Exemptions.

Editor, The Commercial and Financial Chronicle:

We have just read the article, "Proposed Missouri Valley Authority," by Ernest R. Abrams in your issue of May 17, 1945. The article is so misleading in its statements on page 2179 about the TVA that we feel compelled to reply to them and to request in fairness that the reply be published.

TVA power operations constitute the only activity which is subject to the sort of commercial financial analysis which Mr. Abrams attempts. In the fiscal year 1944, power operations produced total operating revenues of $35,430,000 and a net income, after all power expenses, of $14,116,000. The net income, plus interest paid on bonds, amounted to a return of 4.1% on the net average power

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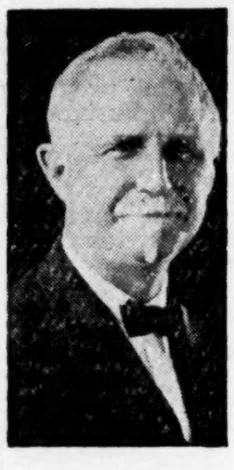
Ten Don'ts Suggested by Babson

Prominent Writer on Economic Subjects Discusses Stocks, Bonds, Real Estate and Churches

1. **Don't let any possible reconversion slump frighten you.** In certain industries there must, of necessity, be some unemployment while switching over from war to peace work; but in most cases this slump will be only temporary. With it there will be a decline in the earnings of some companies but, after a readjustment for excess profits taxes, this should not be troublesome.



Roger W. Babson

2. **Don't buy the new low-coupon rate long-term bonds which are now being issued.** Money rates will continue low for only a short time. The pendulum always has swung and is going to continue to swing. Many bonds now selling on a 3½% basis will some time again be selling on a 6% basis. Much lower prices for fixed interest securities are inevitable.

3. **Don't hold second-grade railroad securities any longer; but now take your profits.** This applies to most railroad stocks and certainly to railroad income bonds which are now selling at fantastic prices. Railroad net earnings are headed for a severe post-war slump which will probably last many years.

4. **Don't sell the general stock market.** The Dow-Jones Industrial Averages will surely sell for more some time during the next twelve months than they do at the present time. This probably also applies to many utility stocks. I am especially bullish on the chain stock stocks. I also like some of the convertible preferred which should combine reasonable safety with speculative possibilities.

5. **Don't wait too long before buying the land upon which you hope to some day build a home.** I don't like big commercial farm properties and am rather scary about city property; but well-

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Freight Truckloadings in April Up 4% Over 1944

The volume of freight transported by motor carriers in April decreased 6.7% below March but was 4.0% above April, 1944, according to American Trucking Associations, Inc., which on May 24 further announced:

Comparable reports received by ATA from 257 carriers in 41 states showed these carriers transported an aggregate of 2,117,481 tons in April, as against 2,270,706 tons in March and 2,036,763 in April of 1944.

The ATA index figure, computed on the basis of the average monthly tonnage of the reporting carriers for the three-year period of 1938-1940 as representing 100, was 183.

Approximately 81% of all tonnage transported in the month was hauled by carriers of general freight. The volume in this category decreased 6.6% below March but was 4.8% above April of 1944.

Transportation of petroleum products, accounting for about 12% of the total tonnage reported, showed a decrease of 10.0% below March and was 5.6% below April of last year.

Carriers of iron and steel products hauled about 4% of the total tonnage. Their traffic volume was 3.0% above March and 22.5% above April of 1944.

About 3% of the total tonnage reported consisted of miscellaneous commodities, including tobacco, milk, textile products, coke, bricks, building materials, cement and household goods. Tonnage in this class decreased 7.5% below March but was 6.0% above April of 1944.

Bocklet Retires

Charles J. Bocklet has retired from partnership in Gammack & Co., 40 Wall Street, New York City, members of the New York Stock Exchange, effective May 31.

Post-War Private Flying And Employment

C. Bedell Monro, Pennsylvania Central Airlines Head, Predicts 100,000 Jobs by 1948. Condemns Railroad Opposition to Airport Development.

The aviation industry must be honest with fighting men and not disillusion the thousands who look to the skies for peacetime pursuits to expect jobs which will not exist unless private flying and other aviation fields are fully developed to create new employment opportunities.

This thought was expressed yesterday by C. Bedell Monro, President of Pennsylvania-Central Airlines, in a talk before the Wings Club of New York. He declared that even the most generous estimates of post-war potentials in commercial airline operations will provide only a "pitiful market for the countless thousands of servicemen who will look to aviation for their future security."

C. Bedell Monro

Mr. Monro urged the fullest development of private flying for the creation of a wide variety of employment opportunities for those thousands trained for aviation in the armed forces, who expect jobs in aviation after the war. Citing a national airport program as one of the requisites to the stimulation of private flying, Mr. Monro deplored recent testimony of railroad interests opposing such a program. The PCA head characterized this opposition as "a threat that involves an act of sabotage to the future of our entire national defense and a reprehensible blow at post-war employment."

The PCA President pointed out that the domestic airlines before the war had a fleet of only 360 planes with an average of 50 employees on the ground for each plane, representing a total of only 17,300 people. "By 1948 the airlines may have about 1,000 planes and the ratio may increase to 100 ground personnel for each plane. Even this expansion will provide only 100,000 jobs in the entire field of commercial aviation—far less than the number of men in

(Continued on page 2523)

Reynolds & Co. Adds Wm. Robbins to Staff

Reynolds & Co., 120 Broadway, New York City, members New York Stock Exchange, announce that William B. Robbins is now associated with them. He was formerly an officer of Fitzgerald & Company.

Arnold Wayne Now Is With Byfield & Co.

Arnold B. Wayne has become associated with Byfield & Co., 61 Broadway, New York City, members New York Stock Exchange. Mr. Wayne was formerly with Bruns, Nordeman & Co. and prior thereto was in business for himself.

House Debates Bretton Woods Bill

Although Bankers Withdrew Opposition to Amended Bill, They Were Attacked in the House Debate on the Measure. Representative Smith, (R) of Ohio Criticizes the Amendments Made by House Banking Committee as Insufficiently Clear While Wolcott (R) of Michigan, Ardently Defends the Measure and Congressman Crawford and Jessie Sumner Strongly Oppose It. Arguments Centered on Monetary Fund Project.

Special to the Commercial and Financial Chronicle

WASHINGTON, D. C., June 6—While some supporters of Bretton Woods express pleased puzzlement over the apparent endorsement of the pending bill by the ABA, others are equally puzzled by the continued criticism of bankers, such as cropped up in today's debate on the House floor.

For some days Congressman Spence, Chairman of the Banking Committee, has been mentioning with obvious satisfaction the fact that American Bankers Association President W. Randolph Burgess on May 28 has expressed in writing his gratification with the changes the committee made in the enabling bill now before Congress. It was reliably reported that the Banking Committee Chairman intended to have the letter put in the Congressional Record. This was done yesterday. The letter as read to the House contains this statement:

"While the new bill of course does not meet in every respect the suggestions that we made, it seems to us a substantial improvement over the original, and will aid in the effective accomplishment of the purposes of the whole program which is, after all, what we most desire."

Yet we find in the same record these statements by Administration Congressmen:

Representative Sabath of Illinois said:

"I am aware that some outstanding bankers and the 'bankers bund' are opposed to this legislation because it will prevent their manipulation of foreign currency as they have exercised it in the past. They have sought to have a free rein in setting the prices on various exchanges and interests, as well as in making loans to foreign governments at a high rate of interest as they did in the not-far-distant past."

Representative Patman of Texas, a member of the House Banking Committee, said:

"There is an international banking ring with headquarters in this country that is opposing this legislation with all their power and might. In every way possible they are opposing it. It is against their selfish, greedy interest for this bill to become a law. They do not want these agreements; it is against their interests. They are the vultures that sit around waiting for some country to get into trouble so that they can help bail it out at a big price and to the disadvantage of the other countries of the world. They are the ones who are fighting this bill."

Smith Criticizes Wolcott Amendments

The debate on the Bretton Woods bill was opened by Representative Frederick C. Smith (R.) of Ohio one of the three Banking Committee members who signed a minority report on the bill (HR 3314). Mr. Smith devoted his opening speech to a criticism of the Wolcott and Committee on Economic Development amendments.

"The Wolcott Amendment we are told," Congressman Smith said, "would confine the Fund to short-term lending and the CED Amendment would authorize the Bank to make long-term stabilization loans that would otherwise be made by the Fund. . . . A reading of the Wolcott Amendment would lead one to think that the present language in the Agreement confines the Fund to short-term lending, but that is so

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Public Utility Securities

Commonwealth & Southern

The Securities and Exchange Commission on May 31 approved the recapitalization and integration program of the Commonwealth & Southern system, excepting for minor amendments, to which the company is expected to agree. Under the plan, the so-called northern utilities—Consumers Power Company, of Michigan, Central Illinois Light Company, Ohio Edison Company and Southern Indiana Gas & Electric Company—would readjust their common stocks for convenient distribution to C. & S. stockholders. Commonwealth & Southern would also issue new stock of its own (8,979,234 shares). The common stocks of the four northern companies and of Commonwealth would then be distributed to the present stockholders of Commonwealth, the preferred as a class getting 85% and the common 15%. The distribution would be as follows:

	For Each Share Pfd.	For Each Share Com.
	—Shares—	
Consumers Power	1.03	.008
Ohio Edison	1.03	.008
Central Illinois	.206	.0016
Southern Indiana	.206	.0016
Commonwealth & Southern	5.15	.04
Cash, about	$3.00	--

Commonwealth & Southern last year earned about $11,400,000 and paid excess profits taxes (together with tax savings resulting from bond financing, emergency amortization, etc.) of about $22,200,000. After the war, if excess profits taxes are eliminated, about half the latter amount would be saved, increasing net to around $22,500,000 on the 1944 basis. The company may lose some earnings due to readjustment of the industrial load (which was benefitted by heavy war activities in its areas), by increased income taxes on the northern companies when reporting individually, etc. However, there will doubtless be large demands for power for the automotive industry in Michigan, and some estimates for a "normal" post-war year (perhaps several years hence) by the local managements of the different companies have been quite optimistic.

The SEC has estimated that future net income might be expected to average $17,700,000, while President Whiting considered $20,000,000 a fair estimate and Jay Samuel Hartt, consulting engineer for the company, estimated prospective annual consolidated net income as high as $24,708,000. On the basis of these estimates, and applying varying price-earnings ratios, we would arrive at the following estimates for the future value of the preferred and common stocks:

Earn. Est. By—	12 Times Earn. Pfd.	12 Times Earn. Common	14 Times Earn. Pfd.	14 Times Earn. Common
SEC	$122	$.96	$142	$1.12
Whiting	138	1.08	161	1.26
Hartt	170	1.32	198	1.54

With reference to price-earnings ratios, the average electric-gas utility stock is currently selling at close to 15 times earnings. Better grade issues sell at about 15-20 times earnings and small or unseasoned issues at about 10-15 times. Commonwealth's northern companies, with the exception of Southern Indiana G. & E., might be entitled to price-earnings ratios of 14-15, after a little market seasoning. The southern group, less favorably capitalized and with a poorer earnings record, might merit a price-earnings ratio of only about 10-12, especially as it will still be a holding company system — though an integrated one, conforming to SEC requirements.

Commonwealth subsidiaries' residential rates are extremely low as compared with the national average — that is one reason, paradoxical as it seems, for the present high excess profits taxes. For the five companies combined — four operating and one holding company — comprising the "package" to be received by Commonwealth stockholders, an average price-earnings ratio of 12 would seem reasonably in line with present market standards, even for relatively unseasoned issues.

The southern group may, however, within a few years establish a better record of earnings. Economic trends favor the South and the freight rate structure has just been revised in favor of this territory. With allowance for this improvement an average price-earnings ratio for both northern and southern companies of 14 might be attainable in the not too distant future.

The estimates in the above table result in estimated "break-up" prices for the preferred of $122-198, compared with current price around $107; and a range of 96¢ to $1.54 for the common, compared with the current price around 1. It would seem advantageous for common stockholders to switch into the preferred stock. However, the plan still has to be approved by a majority vote of stockholders and confirmed by a Federal Court; and there is always the possibility of an upset or change until the last appeal period has passed.

Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

American Economic Outlook, by A. Moore Montgomery—Tucker, Anthony & Co., 120 Broadway, New York 5, N. Y.

For Post-War — Circulars on **Colorado and Southern, Interstate Air & Engineering, Mohawk Liqueur,** and **Pressurelube** — Bennett, Spanier & Co., Inc., 105 South La Salle Street, Chicago 3, Ill.

Monthly Stock and Bond Summaries—May be had at a cost of $72 each per year, or a total of $144 a year for the complete service which includes two cloth bound volumes and ten paper bound issues—a special free trial offer is available—**National Quotation Bureau,** 46 Front Street, New York, N. Y.

New Consolidated Supplement to Louisiana Bond Record of 1938 —Information from A. M. Smith Investment Co., Carondelet Building, New Orleans 12, La.

Road to Serfdom—Reprints of the Readers' Digest condensation of the book by Friedrich A. Hayek —**B. S. Lichtenstein & Co.,** 99 Wall Street, New York 5, N. Y.

Statistical Handbook for New Jersey Municipal Bonds — 13th annual edition—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Also available is an analysis of **New England Public Service Co.**

American Barge Line Company —Current position and possibilities—Straus & Blosser, 135 South La Salle Street, Chicago 3, Ill.

American Hardware Corp. — Discussion of attractive position of common—Walston, Hoffman & Goodwin, 265 Montgomery Street, San Francisco 4, Calif.

American President Lines, Ltd. — Timely statistical report — **Kaiser & Co.,** 20 Pine Street, New York 5, N. Y., and Russ Building, San Francisco 4, Calif.

Ampco Metals, Inc. — Current bulletin—**Sills, Minton & Co., Inc.,** 209 South La Salle Street, Chicago 4, Ill.

Also available is a report on **Maryland Casualty Co.**

Ashland Oil & Refining Company — Memorandum discussing investment possibilities of the 4¼% cumulative convertible preferred stock—A. G. Becker & Co., Inc., 120 South La Salle Street, Chicago 3, Ill.

Atlanta & West Point Railroad —Descriptive circular—Adams & Peck, 63 Wall Street, New York 5, N. Y.

Boston Insurance Company — Analytical memorandum — Mackubin, Legg & Co., 22 Light Street, Baltimore 3, Md.

Also available are circulars on **Employers' Group Associates, Franklin Fire Insurance Company, Hanover Fire Insurance Company, Phoenix Insurance Company, Providence Washington Insurance Company, Security Insurance Company,** and **Springfield Fire & Marine Insurance Company.**

Boston Terminal 3½s of 1947—Analytical report describing reorganization status and proposed plan—**Greene & Co.,** 37 Wall Street, New York 5, N. Y.

Boston Wharf Co.—Descriptive circular—**du Pont, Homsey Co.,** Shawmut Bank Building, Boston 9, Mass.

E. G. Brooke Iron—Descriptive memorandum—**Buckley Brothers,** 1529 Walnut Street, Philadelphia 2, Pa.

Also available are memoranda on **Lukens Steel** and **Eastern Corp.**

Central Iron & Steel—Bulletin on recent developments—**Lerner & Co.,** 10 Post Office Square, Boston 9, Mass.

Also available are circulars on **Kingan & Co.** and **Riverside Cement.**

Chicago, Milwaukee, St. Paul & Pacific Railroad—Complete arbitrage proposition—**Sutro Bros. & Co.,** 120 Broadway, New York 5, N. Y.

Christiana Securities — Bulletin **Laid, Bissell & Meeds,** 120 Broadway, New York 5, N. Y.

City of Montreal, Financial Reorganization, including a memorandum on the current budget—Dominion Securities Corporation, 40 Exchange Place, New York 5, N. Y.

(Continued on page 2507)

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Utility break-through points to continuation of major trend. Intermediate reaction indicated by industrials. Obstacle present about 170-172.

There has been some hesitation in the past few days but the main trend is still up and there doesn't seem to be anything in the market picture, at this writing, to point to any change. Minor trend however points down.

Last Thursday (May 31), when you saw the previous column, the Dow industrials were nibbling at the 170 figure. The rails were just across 58. On Tuesday and Thursday the volume was respectable, somewhere near the two million mark. Friday's action showed a change. For example Thursday's and Tuesday's highs in the industrials seemed to have become tops. But the rails, which closed poorly on Thursday, shot up Friday and crossed what seemed to become an obstacle established Wednesday. On Tuesday the rails made a high of 58.86. Thursday's high was 58.74, but the close was 57.90. Friday they managed to cross the 59 figure by 6c and closed at 58.89. It was obvious that the quick rail recovery pointed to better prices as was proved in the subsequent market action.

It was equally significant that the rail action was not duplicated by the industrials. Their refusal to advance is the basis of the minor danger signal. But while the rails were in the forefront and the industrials were laggards, a new group came forward to claim the spotlight. The utilities, which haven't been doing much of anything since last April, quietly became active.

As an average there is little exciting in the utility action. Up to last April it was almost pegged at the 28 figure. Fluctuations were minor and interest in the group was

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Dealer-Broker Investment Recommendations and Literature

(Continued from page 2506)

Also available, a memorandum on the debt reorganization plan of the **Province of Alberta.**

Consolidated Edison Co. of New York—Analytical study—**Kidder, Peabody & Co.,** 17 Wall Street, New York 5, N. Y.

Elk Horn Coal Corporation and **Lawrence Portland Cement Co.**—Report on attractive possibilities for price appreciation in these two industrials—Morris Cohon & Co., 42 Broadway, New York 4, N. Y.

Fort Dodge, Des Moines & Southern Railway Company—One-page analysis—Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

Foundation Co.—Descriptive circular—J. F. Reilly & Co., 111 Broadway, New York 6, N. Y.

Also available are circulars on **Howell Electric** and **Punta Alegre Sugar.**

Garrett Corporation—Brochure and statistical information, available to dealers—**Fred W. Fairman & Co.,** 208 South La Salle Street, Chicago 4, Ill.

General Cigar Company, Inc.—Detailed memorandum on outlook—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Also available, a study of **Southern Indiana** first 4s of 1951 and **Chicago, Terre Haute & Southeastern** ref. 5s of 1960 and income 5s of 1960; and a bulletin of **Research Comment** on several currently interesting issues.

General Industries Co.—Recent report — **Mercier, McDowell & Dolphyn, Buhl Building,** Detroit 26, Mich.

Also available a report on **National Stamping Co.**

Howell Elec. Motors—Circular—**Adams & Co.,** 231 South La Salle Street, Chicago 4, Ill.

Interstate Power Co.—Study of speculative possibility in the preferred stock of a public utility company—Ward & Co., 120 Broadway, New York 5, N. Y. Also available are late memoranda on: **Du Mont Laboratories "A"; Great American Industries; Massachusetts Power & Light $2 preferred; Majestic Radio; Magnavox Corp.; Electrolux; Brockway Motors; Scovill Mfg.; Riley Stoker; Alabama Mills, Inc.; American Hardware; Douglas Shoe; Hortford-Empire; Maine Central Pfd.; Moxie; Southeastern Corp.; United Piece Dye Works; Detroit Harvester; Boston & Maine; Buda Co.; Federal Machine & Welding; Gleaner Harvester; Liberty Aircraft Products; Lamson-Sessions; Berkshire Fine Spinning, Bowser, Inc.; New Jersey Worsted; Mohawk Rubber Co.; TACA Airways; American Window Glass,** and **P. R. Mallory.**

Iowa Southern Utilities Company—Detailed discussion of interesting situation—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Kingan Company — Descriptive circular—**C. E. de Willers & Co.,** 120 Broadway, New York 5, N. Y.

Also available is a memorandum on **Macfadden Pub. Inc.** and **Sterling Engine.**

Laclede-Christy Company — Memorandum available — **Herzog & Co.,** 170 Broadway, New York 7, N. Y.

(Continued on page 2532)

Grew Says U. S. Not in Anti-Russia "Front"

Joseph C. Grew, Acting Secretary of State, has assured a delegation of Congressmen that the United States has not "become part of an Anglo-American front", according to Associated Press reports from Washington, May 31.

Representative DeLacy of Washington, accompanied by Representatives Coffee of Washington, Patterson of California and Bailey of West Virginia, submitted a letter signed by the four and Representatives Marcantonio, Dickstein and Celler of New York; Green and Weiss of Pennsylvania, Sabath of Illinois, Patrick of Alabama and Hedrick of West Virginia.

The letter contained questions which they said arose out of recent press criticism of American foreign policy. These asked if there had been any departure by the United States from its position, "achieved by President Roosevelt, as a disinterested third power which could mediate in and mollify whatever differences might develop between our two great allies"; had our policy on the Polish question and on other Eastern European questions changed "since President Roosevelt's death," and had "old anti-Soviet prejudices caused a shift since Roosevelt's death from American friendliness toward our Russian ally?"

Real Estate Securities

Amendments to State of New York Real Property Law Should Have Favorable Effect on Real Estate Securities

Owners of Chanin Building First to File Reorganization Plan For Maturing Funded Debt Under Amended Law

Two amendments to the Real Property Law of the State of New York (The Burchill Act under which real estate reorganizations have been effected) became effective April 16, 1945. One amendment deals with reorganization plans, the other deals with cash offers for the mortgage under par and the release of the security under the trust mortgage.

Previous reorganizations under the Act took place after a default in the terms of the mortgage indenture. The law now provides that the Trustee of any mortgage, the holders of 25% in principal amount; the mortgagor or owner of the property, whether or not a default exists, may present a plan for the reorganization of such mortgage, which may provide for: (1) the extension of the maturity of the mortgage, deed of trust or indenture and the debts secured thereby; (2) the modification of the provisions for interest, amortization or sinking funds; and (3) such other changes, modifications or amendments as may be fair and feasible and for the best interests of the security holders. No plan shall be approved unless the court, after such hearing shall determine that it is fair, feasible and for the best interests of the security holders. The affirmative consent of the holders of two-thirds of the principal amount of the outstanding securities shall constitute a presumption that the plan is fair, feasible and for the best interests of the security holders. All proceedings hereunder and the rights of the parties hereto, including the hearing, the final order determining the plan of reorganization embodying such modifications, the time and method for the persons affected by such plan becoming parties thereto and the right of appeal from any order, shall be governed by section 122 hereof; except that if the reorganization shall become effective it shall be without prejudice to the right of any particular holder of such securities who has duly dissented therefrom to have the court determine the cash value of such securities as he may have owned on or before the date of the presentation of the plan of reorganization pursuant to this section, and providing for the payment or securing his ratable share of such amount as a condition for declaring the plan operative. Upon the order becoming effective the plan shall be binding upon all the security holders.

Under date of June 1, 1945, Lexington Avenue & 42nd Street Corporation, owner of the Chanin Building in New York City, presented a plan for the reorganization of the existing funded debt which matures September 1, 1945. The funded debt was reorganized in July 1934. It consisted of a:

First Mortgage	$6,392,500
Second Mortgage	2,962,500
Third Mortgage	2,500,000
	$11,855,000

Since the consummation of said prior plan of reorganization, the Chanin Building has been operated by Chanin Management, Inc. under the supervision and control of the Continental Bank & Trust Company of New York, as supervising Trustee and the Board of Directors of the leasehold owner, as provided in said plan, with the following results:

(a) All required payments under said plan have been met to the end that all basic and accumulated interest has been paid under the first, second and third mortgage indentures and during the period from 1935 to 1939, inclusive, additional interest of 1% per annum has been paid on the first mortgage bonds. On September 1, 1944 an additional ¾% interest was paid on the first mortgage bonds.

(b) The outstanding first mortgage bonds have been reduced to $6,059,500, the amount now outstanding.

(c) The reserve fund of $100,000 has been set up and is now held by the Continental Bank & Trust Company of New York as Trustee under the first mortgage indenture for the benefit of the bondholders.

(d) There is no default in the payment of ground rent, taxes, or other fixed charges against the property.

(e) No dividends have been paid on the stock, nor have any salaries been paid to officers or directors.

NEW PLAN OF ORGANIZATION

The new plan of reorganization summarized is as follows:

(1) Extend the maturity date of each mortgage to September 1, 1965.

(2) The capital stock continue as presently held:
15% by First Mortgage
15% by Second Mortgage
20% by Third Mortgage
50% by Chanin Interests
Chanin Management, Inc. to continue to manage and operate the property.

(3) All the income from the building shall continue to be controlled by the existing sequestration agreement, under which the net rental income is is paid each month to the first mortgage trustee for distribution in accordance with the plan. Income after operating expenses, ground rent and Real Estate Taxes to be used in following order:

(a) Basic cumulative interest at 4% per annum on first mortgage.

(b) Cash equal to 2% of the outstanding first mortgage bonds for a sinking fund.

(c) An annual contingency Reserve of $25,000 until fund of $250,000 has been established.

(d) Basic cumulative interest at 2% per annum on second mortgage.

(e) Basic cumulative interest at 1% per annum on third mortgage.

(f) 1% Additional non-cumulative interest on first mortgage.

(g) 1% Additional sinking fund on first mortgage.

(h) 1% Sinking fund on second mortgage.

(i) Any remaining income for additional sinking fund on the first mortgage.

The plan as outlined above seems fair and reasonable. It, we believe, rightfully treats first mortgage bondholders better than the reorganization plan of 1934, but it appears to be designed to give warranted consideration to all parties concerned. In submitting the plan, the owners have shown the Net Income before Trust Indenture Charges for the six months ended January 31, 1945 to be $315,928.83. Projecting this figure to an annual basis would result in $631,857.66 available for distribution under the new plan an amount sufficient to pay:

5% Interest on the First Mortgage
Provide $189,907.66 for First Mortgage Sinking Fund
2% Interest on the Second Mortgage
Provide $29,625.00 for Second Mortgage Sinking Fund
1% Interest on the Third Mortgage, and
$25,000.00 for the Contingency Reserve Fund.

The Anglo-Chilean Exchange Agreement

Pact of Oct. 30, 1940 Provides for "Blocked" Payments Similar to Peruvian Agreement, Published in Last Week's "Chronicle". Provides That Payments Between the Two Countries, Other Than Necessary Payments in Chilean Pesos, Shall Be Made Only in Sterling.

Another and earlier example of the bilateral exchange agreements made by Great Britain with Latin American countries, similar to that made with Peru on Nov. 17, 1942, and published in last week's "Chronicle" (May 31, 1945, page 2398) is given below. It is dated Oct. 30, 1940 and provides essentially for the "blocking" of all payments between Peru and the "sterling area" in British Pounds Sterling.

1. All trade and financial payments between Chile and the Sterling area shall be settled in sterling.

Payments which must necessarily be made in Chilean pesos shall be settled by the sale of sterling on the basis laid down in Clause 2.

All other payments necessarily expressed in currencies other than sterling and Chilean pesos shall be converted into and settled in sterling on the basis of the official rates fixed in London.

2. The Banco Central de Chile shall quote rates for sterling based on the official middle price for gold in London (today) 168/6d per ounce fine equivalent to 4.02½ dollars to the £) and the corresponding rates for dollars fixed by the Chilean authorities.

3. With the exception of the payments referred to in the final paragraph of this clause all sterling payments to Chile from persons resident in the sterling area shall be made to:

The Special Account of the Banco Central de Chile at the Bank of England
or to the Special Accounts of the Banco Central de Chile with their correspondents in the

(Continued on page 2525)

Holds Anglo-Swedish Monetary Accord a Revival of Nazi "Swaps"

In an article in the New York "Herald-Tribune" of May 20, H. Eugene Dickhuth calls attention to the implications of the Anglo-Swedish monetary agreement of March 6 (published in the "Chronicle" of May 17, page 2165) which, he states, has "an appended protocol" that would require Sweden to accept payment for her export surplus to Britain in the form of blocked sterling balances. These balances can be used, he states, "only for the purchase of British goods or merchandise from the sterling area."

According to this article "the Anglo-Swedish monetary agreement, signed on March 6 and publicized at the time as a noteworhty forward step in immediate post-war trade, had an unpublished appendix which has been criticized in the British House of Commons as the nearest approach to bilateralism or barter."

"Since the whole basis of Bretton Woods, Dumbarton Oaks and other envisaged international agreements is multilateralism," comments Mr. Dickhuth, "the discovery is worth some study. It should be added, however, that the trade agreement between London and Stockholm is an interim pact covering the reconstruction period, and it may, therefore, be discarded later in favor of an overall world plan."

Concerning the unpublished "protocol," it is stated that, "to reconstruct this specific case, it seems from a reading of Swedish newspapers that after conclusion of the agreement the Stockholm Government issued a statement concerning an appended protocol which inquirers in Parliament labeled 'secret.'

"This additional document, while representing no binding obligation on either country, expresses both governments' 'intention of exporting certain goods up to a given amount to the other party.' It thus nullifies in effect previous impressions, created by the text of the published main agreement: that Sweden would accept amounts of blocked sterling limited only by the volume of her exports to Britain.

"The appendix is also reported to cover a list of goods which either side believes is exportable surplus, permitting an approximate indication of the amount either party is willing to accept. The criticism of members of Parliament is no doubt prompted by the recollection of the pre-war Nazi swaps of aspirin tablets and Zeiss lenses for specified foreign raw materials.

"'The Financial News,' London, of April 25, remarked that 'quite clearly, if both governments intend to deliver the goods which they informally said they hoped to deliver, the arrangement comes as near a bilateral trade pact—whether or not it was concluded formally—as anything this country has ever entered into.'

"Under the main agreement Sweden has undertaken to accept payment for her export surplus to Britain in the form of blocked sterling balances, which, in turn, can be used only for the purchase of British goods or merchandise from the sterling area."

Interviews Chairman of United Nations Committee

A. Wilfred May, correspondent of the "Commercial and Financial Chronicle" at the United Nations Conference, discusses economic aspects of the charter with Sir A. Ramaswami Mudaliar, Chairman of the India delegation and Chairman of the Conference's full Committee on Economic and Social Cooperation.

Senate Silver Bloc Will Seek To Amend Bretton Woods

Reported Bloc Will Try to Have United States Subscription Paid Partly in Silver

Special to the Commercial and Financial Chronicle

WASHINGTON, D. C., June 6—**With House Bretton Woods debate now considered perfunctory, attention veers to Senate.** Since some banking spokesmen have stated publicly that the Bretton Woods enabling bill ought to be further perfected in the Senate, friends of the program are alert for any sign of cooperation there between the banks and the Silver Bloc.

The Silver Bloc is jealous of the recognition Congress has given the "white metal" since 1933. It is fearful that sooner or later the opponents of hard money will address themselves to seriously attacking the silver purchase statutes. Indeed, only a few days ago a belated effort was made in the House of Representatives to strike from the books the 12-year-old bimetallism power of the President. Because the effort, in the form of an amendment to the Reserve Ration Bill, was made only after the bill had already passed the Senate and been approved by the House Banking Committee, it was ruled out of order.

Senator McCarran of Nevada has long been on record as planning to hitch the silver "wagon to the Bretton Woods star," one way or another. Senator Elmer Thomas of Oklahoma, author of the inflation legislation of 1933 known as the Thomas Amendment, only recently gave notice on the Senate floor of his intention to present an amendment to the Bretton Woods legislation, the chief feature of which is to be a requirement that the United States pay part of its subscription to the International Monetary Fund in the form of silver.

The Senator would use for that purpose any silver the Treasury holds in excess of the required reserves against outstanding silver certificates.

It is also recalled by members of the United States delegation at Bretton Woods last year that more than a score of senators at that time signed a letter to President Roosevelt, demanding more consideration for silver. Facsimiles of that letter were sent to every delegate participating in the Bretton Woods Conference, under Senator Thomas' frank.

The Silver Bloc is probably not so much interested in getting something more for silver as it is in securing what it now has. Its theory always has been: "The best defense is offense." It is always ready to utilize what allies it finds at hand, and does not hesitate to ditch those allies.

As good an example as any of the Bloc's political methods was the "alliance" with the Senate Republicans in 1939. On that occasion the Republicans sought to utilize the then pending expiration of the President's emergency monetary powers as the occasion to deprive the White House of the power to change the gold content of the dollar. Also involved were the life of the $2 Billion Stabilization Fund and the power to acquire newly-mined domestic silver. The Republicans agreed to aid the Silver Bloc in getting the temporary silver authority *temporarily* renewed, in exchange for the Silver Bloc's help in depriving the President of his other emergency monetary powers.

The upshot of the deal was that the Silver Bloc not only obtained a renewal of the desired silver power, but got as well both an increase in the price of domestic newly-mined silver, and the dropping out of any termination date. That is, the silver subsidy became *permanent*. Only one or two Republican Senators kept out of this deal.

All the others supported it. The deal became the Act of July 6, 1939.

But the Republicans failed completely to obtain their objective. The Silver Bloc simply let them down.

The episode just described may not be without its lessons when the Bretton Woods bill comes up in the Senate.

Investment Banking Syndicate Boosts Bond Sales in Southern California

LOS ANGELES, CALIF.—The Banking and Investment Division of the War Finance Committee for Southern California has erected a huge 7th War Loan thermometer in front of the Los Angeles Stock Exchange on which each day at noon, to the accompaniment of a blast of a siren on the building, the Los Angeles Fire Department posts the total sales for the Southern California area.

The "Investment Banking Syndicate" war loan operation originated in Los Angeles at the beginning of the Third War Loan Drive. The Syndicate idea was first suggested by Carey Hill of Hill, Richards & Company, Los Angeles, a member of the Board of Governors of the IBA and presently a member of the Federal Legislative Committee of the IBA. Subsequently, the syndicate plan has been adopted by a number of states including New York. Robert H. Moulton of R. H. Moulton & Company, a former Governor of the IBA, is State Chairman and Gerald M. Goodman of Lord, Abbett & Co. is Vice Chairman of the state committee. In addition there is an Investment Syndicate Committee which is as follows:

Gerald Goodman Robert H. Moulton

Guy Witter, Chairman, Dean Witter & Company, Los Angeles; Darrell J. Bogardus, Bogardus, Frost & Banning, Los Angeles; Willis H. Durst, Wagenseller & Durst, Inc., Los Angeles; Rudolph J. Eichler, Bateman, Eichler & Co., Los Angeles; Carey Hill, Hill, Richards & Co., Los Angeles; Frederick W. Koenig, Young & Koenig, Los Angeles; Robert Parsons, Pacific Company of California, Los Angeles; William Paul, Secretary, Los Angeles Stock Exchange; Donald Royce, Blyth & Co., Inc., Los Angeles.

Syndicate Manager: H. B. Marr, Broad Street Sales Corporation, Los Angeles.

The organization also includes a group of Supervisors, each of whom has a group of firms assigned to him. These supervisors are:

D. J. Bogardus, Bogardus, Frost & Banning, Los Angeles; Willis H. Durst, Wagenseller & Durst, Inc., Los Angeles; Rudolph J. Eichler, Bateman, Eichler & Co., Los Angeles; Frederick W. Koenig, Young & Koenig, Los Angeles; Louis Meyer, Stern, Frank & Meyer, Los Angeles; Donald Royce, Blyth & Co., Inc., Los Angeles; Charles Sill, Nelson Douglass & Co., Los Angeles; Wilian Wells, Maxwell, Marshall & Co., Los Angeles; Guy Witter, Dean Witter & Co., Los Angeles; Al Purkiss, Walston, Hoffman & Goodwin, Los Angeles; George Marx, Holbert-Hargrove & Co., Long Beach; George R. Miller, George R. Miller & Co., Pasadena; C. Wesley Hall, Wesley Hall & Co., San Diego.

Knudsen Retires as Army Production Head

Announcement has been made of the retirement of Lieut.-Gen. William S. Knudsen as War Department director of production, the Associated Press reported from Washington, May 29, adding that Gen. Knudsen's resignation becomes effective five years to the day after he left his job as president of General Motors Corporation to take on the job, at the request of the late President Roosevelt, of converting peacetime industry to the needs of war.

General Knudsen, a civilian who became a three-star general in one jump, reached the Army retirement age of 64 two years ago but stayed on active duty by request until Germany was defeated. He was regarded as the Army's No. 1 "trouble shooter" on the production front. In announcing his forthcoming retirement, the War Department disclosed that he had been awarded an Oak Leaf Cluster to add to a previously awarded Distinguished Service Medal for his work with the Air Forces.

Confers With Stalin

Harry L. Hopkins, at Moscow on a special mission for President Truman, has conferred several times with Premier Stalin, but the subject of the talks has not been disclosed, according to the Associated Press from Moscow, May 28.

Foreign Commissar Molotov and American Ambassador W. Averell Harriman were present at the meetings, which were said to be extremely cordial.

Stalin was reported to be very busy at this time, and it was felt that his willingness to hold lengthy discussions on three consecutive evenings indicated that highly important issues were being given a thorough airing.

Truman to Confer on Jobless Pay Increase

President Truman has indicated his intention to discuss his proposal for emergency unemployment pay increases with Congressional leaders. The President has also expressed endorsement of the long range Social Security expansion program embraced in the recently introduced Wagner-Dingell Bill, the Associated Press reported from Washington June 1.

NSTA Notes

INVESTMENT TRADERS ASS'N OF PHILADELPHIA

The annual Spring Outing of the Investment Traders' Association of Philadelphia will be held at Manufacturers' Country Club on Friday, June 22. A large turn-out of the local membership is expected. Travel restrictions will probably reduce the number of out-of-town guests to those who are in the city on business on that date. Golf and soft-ball will be followed by dinner and evening pastimes peculiar to the fraternity.

NATIONAL SECURITY TRADERS ASSOCIATION, INC.

The National Security Traders Association announces the appointment of the following District Chairmen:

Bert H. Horning, Stiffel, Nicolaus & Co., St. Louis, Mo.
Joseph C. Phillips, Pacific Northwest Co., Seattle, Wash.
Ray P. Bernardi, Cray, McFawn & Co., Detroit, Mich.
Don E. Summerell, Wagenseller & Durst, Los Angeles, Cal.
Joseph H. Weil, Weil & Arnold, New Orleans, La.
T. Geoffrey Horsfield, William J. Mericka & Co., New York, N. Y.
Harry Barclay, Caswell & Co., Chicago, Ill.

Calendar of Coming Events

June 15, 16, & 17, 1945—Security Traders Association of Los Angeles annual spring party at the North Shore Tavern, Lake Arrowhead.

June 19, 1945—Securities Traders Association of Detroit and Michigan annual summer outing at Western Golf and Country Club.

June 22, 1945—Investment Traders Association of Philadelphia Spring Outing at Manufacturers Country Club.

June 23, 1945—Bond Traders Club of Chicago annual outing at Lincolnshire County Club.

August 28, 29 & 30, 1945—National Security Traders Association, Inc. annual business meeting and election of officers.

W. W. Glass Now With Kebbon, McCormick Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Wiley W. Glass has become associated with Kebbon, McCormick & Co., 231 South La Salle Street, members of the New York and Chicago Stock Exchanges. Mr. Glass, who has recently been serving in the U. S. Army, was previously with Blyth & Co., Inc., and Knight, Dickinson & Kelly.

Alfred L. Baker & Co. Now Betts, Borland Co.

CHICAGO, ILL. — Alfred L. Baker & Co., pioneer Chicago brokerage firm, changed its name to Betts, Borland & Co. on June 4.

Present active partners are Arthur M. Betts, Chauncey Blair Borland, Francis Peabody Butler, John H. Quinlan, Thomas Henderson and John P. Wise.

Arthur M. Betts was graduated from Chicago-Kent College of Law in 1913 and admitted to the Illinois Bar. In the same year he became associated with Alfred L. Baker & Co. as manager of the bond department, becoming a partner in 1925. Mr. Betts has been a governor of the Chicago Stock Exchange since 1932 and served five successive terms as chairman of the board of governors, from 1938 to 1943. He is a director and member of the executive committee of Butler Brothers, vice-president and director of the 208 South LaSalle Street Building Corporation, and a trustee of the Chicago Commons Association.

Chancey Blair Borland became a partner in the firm in 1930. He is a graduate of Harvard University and for many years has been prominent in banking and real estate circles in Chicago, being managing owner of the Borland properties, as well as being identified with civic affairs and numerous charitable institutions. He is a director of the Continental Illinois National Bank & Trust Company, the Elgin National Watch Co., the Building Managers' Association, and trustee of St. Luke's Hospital, Old People's Home, Crerar Library and other institutions. He served as president of the Chicago Council of the Navy League of the United States from 1941 to 1944.

Alfred L. Baker & Co. was founded in 1896 by Alfred L. Baker, who died in 1927. Mr. Baker was for many years prominent in brokerage and banking circles in Chicago and actively interested in civic affairs, both national and local.

Among Mr. Baker's intimate contemporaries were many leading and public spirited Chicagoans, such as Charles H. Wacker, John G. Shedd, Edward B. Butler, John V. Farwell, Medill McCormick, Morton D. Hull, Ernest A. Hamill, David R. Forgan, Louis F. Swift, Kellogg Fairbank, Edgar A. Bancroft, Edward F. Carry, Richard C. Hall, etc. It was the custom of many to drop in at the Baker office during the noon hour to discuss business conditions, politics or just "look at the market."

From 1896 to 1930 the firm was located on the ground floor corner of the Home Insurance Building at LaSalle and Adams streets. When the building was torn down to make way for the new Field Building, the firm moved one-half block north to its present location on the ground floor of the Borland Building. The firm is one of the few prominent brokerage houses who have remained in ground floor locations.

Former partners of the firm included Tracy Drake, Solomon Sturges, Hugh McBirney Johnston, Thomas Coyne, Robert M. Curtis and John A. Stevenson. Another partner, Walter W. Crawford, resigned in 1942 to engage in war production as assistant to the president of the Standard Steel Spring Co.

Nat'l Securities Trusts Assets Higher

H. J. Simonson, Jr., President of the National Securities and Research Corp., announced on May 28 that net assets of investment funds sponsored by the company totaled $23,638,454 as of April 30 last, as compared with only $9,802,026 on the same date in 1944. Total shares outstanding increased during the year from 1,688,046 to 3,416,967 and the number of shareholders advanced from 5,485 to 12,734. The data covers operations of the following seven series sponsored by the corporation: Bond Series, Low-Priced Bond Series, Preferred Stock Series, Income Series, Stock Series, Industrial Stocks Series and Low-Priced Common Stock Series.

H. J. Simonson, Jr.

Business Man's Bookshelf

Bretton Woods Agreements Act, Testimony of Leon Fraser on—The First National Bank of the City of New York—paper.

Fiscal Policy for Full Employment—John H. G. Pierson—National Planning Association, 800 21st Street, N.W., Washington 6, D. C.—paper—25¢ (discounts on quantity orders).

New York Laws Affecting Business Corporations, Annotated and Revised to April 24, 1945—United States Corporation Company, 150 Broadway, New York 7, N. Y.—paper—$2.00.

Pattern of Corporate Financial Structure—A Cross Section View of Manufacturing, Mining, Trade, and Constructions, 1937—Walter A. Cudson—National Bureau of Economic Research, 1819 Broadway, New York 1, N. Y.—cloth—$2.00.

Post-war Outlook for the Steel Industry—E. W. Axe & Co., Inc., 730 Fifth Avenue, New York 19, N. Y.—paper—$1.00 (50¢ to public libraries and non-profit institutions).

World Organization—Economic, Political and Social — The Academy of Political Science, Columbia University, New York 27, N. Y.—$2.50 per copy to non-members (included with current membership privileges).

R. W. Davis Heads Bd. of Chicago Exchange

CHICAGO, ILL. — Ralph W. Davis, partner of Paul H. Davis & Co., was elected Chairman of the Board of Governors of the Chicago Stock Exchange, at the annual election of the Exchange succeeding Harry M. Payne.

Homer P. Hargrave, Merrill Lynch, Pierce, Fenner & Beane; D. Dean McCormick, Kebbon, McCormick & Co.; and Harry M. Payne, Webster, Marsh & Co., the retiring Chairman of the Board, were re-elected members of the Board to serve three years.

Robert W. Baird, The Wisconsin Co., Milwaukee, Wisconsin; William A. Fuller, William A. Fuller & Co.; Robert A. Gardner, Mitchell, Hutchins & Co.; John J. Griffin; and Reuben Thorson, Paine, Webber, Jackson & Curtis, were elected members of the Board of Governors to serve three years.

Emmett G. Barker, James E. Bennett & Co. was elected Chairman of the 1946 Nominating Committee and Messrs. William T. Bacon, Bacon, Whipple & Co.; Ralph Chapman, Farwell, Chapman & Co.; John C. Stewart and Alfred E. Turner were elected members of this Committee.

Ralph W. Davis, the new Chairman of the Board of Governors, is a partner of Paul H. Davis & Co., 10 S. LaSalle street, and has been a member of the Chicago Stock Exchange since 1922. He graduated from the University of Chicago in 1916. After his release from the U. S. Army in 1919, he became associated with Paul H. Davis & Co. and was admitted as a partner of that firm in 1921. He represented the firm of Paul H. Davis & Co. on the Floor of the Exchange until April of 1942, at which time he accepted a position as Assistant to the President of the Northern Illinois Corporation, located in De Kalb, Illinois, manufacturers of basic tank track. He returned to the securities business as an active partner of Paul H. Davis & Co. in June, 1944. He has been actively engaged in the administration of the Exchange having served in the past as a member of the Board of Governors and Chairman of the Executive Committee.

Robert W. Baird is President of The Wisconsin Company of Milwaukee, Wisconsin and is the first out of town governor to be elected since 1930.

Inglis With Alm & Co.

OSHKOSH, Wis. — Thomas B. Inglis has joined the staff of Alm & Co., Oshkosh National Bank Building.

Ten Don'ts: Babson

(Continued from page 2504)

located suburban land—both for homes and small farms — should be much higher as soon as building restrictions are removed.

6. **Don't forget that inflation is with us and is bound to be more with us during the years ahead.** The $25 billions of cash in the pants' pockets, cash drawers and "socks" of the American people, an increase of 300% over pre-war figures, will surely cause a post-war stampede for new houses, new furniture and new gadgets of all kinds. When you consider that the supply of good stocks and bonds is even less than it was during pre-war days, we are bound to see higher stock prices due to this inflationary situation.

7. **Don't get hipped on anything or anybody.** Remember every locality, industry, job, home, investment, yes, and religion, has its advantages and disadvantages. Be tolerant and listen to the other fellow. Mix play and work, thrift and spending, friends and enemies, all in proper proportion. The same need for diversification in connection with investments is necessary for one's good character, health, income and happiness.

8. **Don't be skimpy on money spent for the education of yourself or your children.** If, in the years to come, the shadow of Russia ever falls on the United States, those who are experts in any one subject will have nothing to fear. Hence, the importance of having your children educated and trained to hold some necessary position under all economic conditions.

9. **Don't neglect the churches after the war is over.** We talk about "fox-hole religion" among the Servicemen, but there are many more fox-holes here in the United States than there are abroad. The churches will especially be entitled to your attendance and support after this global warfare has come to an end. See that you then repay the churches for what they are now doing for you and your families.

10. **Don't forget that you are going to die some time.** Not only take care in making your will, but keep it up to date through the proper use of codicils. Too many people sacrifice their lives by hard work and thrift to accumulate some money; but give almost no thought to how the money is to be used after they go. This means give more thought to the use of forming trusts for your heirs and others. Your local banker will give you good suggestions, free of charge, concerning such trusts.

De Gaulle Announces Project of Fuel and Credit Nationalization

General Charles de Gaulle, in a radio address to the French nation on May 24, in which he discussed the foreign and domestic policies of his government, announced a project of nationalization of coal mines and electricity as well as a proposal for the control of credit to make it "possible to direct all national activity."

"First of all", he declared, "there will be a reform of public services, which will place our administration in a better position than it is at present to face modern problems. We mean by this, provisions which will organically turn over to the state—without any spoliation, but for the exclusive service of the nation—the two essential controls, namely, the production of coal and electricity on which depends in large measure, the economic development of the nation and of the Empire, through which it will be possible to direct all national activity—as well as the control of credit through which this activity can be steered. Lastly, there will be measures for the repopulation of France, consisting of guarantees to families, and rational regulations concerning immigration. The harbor is in sight, let us be united, patient and hardworking, so that we will not sink before reaching it."

H. P. Carver Corp. Formed in Boston

BOSTON, MASS.—H. P. Carver Corporation has been formed with offices at 75 Federal Street. Officers are Harold P. Carver, president; Margaret R. Carver, treasurer; and Elisabeth H. Robers. Mr. Carver was president of Carver & Co., Inc.

Hearing Again Postponed

The Securities and Exchange Commission has again postponed to August 1st the hearing in broker-dealer registration revocation proceedings against Ira Haupt & Co., New York City.

A. F. Lafrentz Heads Insurance Society

A. F. Lafrentz, President of American Surety Co. of New York, and First Vice-President of New York Casualty Co., has been elected President of the Insurance Society of New York. Organized in 1901, the Society provides and maintains an organization for educational purposes, primarily in connection with or relating to insurance. It maintains a reading room and reference library at 107 William Street. Mr. Lafrentz succeeds William A. Riordan of Aetna Life Affiliated Companies, who has served as President of the Society since 1942.

A. F. Lafrentz

Evans Spalding Member of N. Y. Coffee & Sugar Exch.

CHICAGO, ILL.— Evans Spalding a partner of John J. O'Brien & Co., 231 South La Salle Street, members of New York and Chicago Stock Exchanges and other principal exchanges, has been admitted to membership in the New York Coffee & Sugar Exchange Inc.

Cruttenden Admits Four New Partners

CHICAGO, ILL.—Cruttenden & Co., 209 South La Salle Street, members New York and Chicago Stock Exchanges, announce that James H. Murphy, Conrad Tuerk, William R. Mee and Walter F. Norris have been admitted to the firm as general partners. Conrad Tuerk was formerly secretary and assistant general manager of W. F. Straub & Co. Mr. Norris, formerly a vice-president of Commerce Union Bank of Nashville, Tennessee, will assume the duties of sales manager. Mr. Mee will continue as syndicate manager and Mr. Murphy will continue as manager of the trading department. Present partners are: Walter W. Cruttenden, Frederick R. Tuerk, John B. Dunbar and Anthony L. Godie.

Admission of the new partners was previously reported in the "Chronicle" of May 24th.

Pennsylvania Brevities

Millions for Construction Projects

Pennsylvania's Martin Administration has disclosed that it has under active consideration a $33,000,000 post-war highway improvement program for the Philadelphia area.

The projected program includes new approaches to the Delaware River Bridge, an 11-mile super-highway along Delaware Avenue to Roosevelt Boulevard, razing of the "Chinese Wall" along Market Street, elimination of traffic bottle-necks and improvements to the approaches to the Southwest and Northeast airports.

Added to the above is the $42,000,000 project for the construction of storm sewers, sorely needed in Philadelphia and already approved by City Council.

Last month the City Planning Commission recommended an immediate appropriation to defray engineering expenses in drawing plans and specifications for the extension of the Market Street subway from 23rd to 46th Streets. This project, together with completion of the Locust Street subway, is estimated to cost approximately $100,000,000.

When it is considered that wartime restrictions in labor and materials have resulted in a virtual "building holiday" for the last two years, and that a lessening of these restrictions will unloose a deluge of diversified inquiries, it may be assumed that there need be little fear of an unemployment problem in the Philadelphia area and the prospects of continuance of industrial activity at a high level are bright.

Warner Company

Dealers in sand and gravel and manufacturers and distributors of central-mix concrete, building materials, limestone products, Warner Company is in an excellent position to benefit from increased activity in the construction business over the next several years. During 1944, the company's net quick assets increased $578,223 to $2,750,560, of which $1,505,796 was in cash and $600,000 in U. S. Treasury bonds. With ample working capital at its disposal, new contracts can be undertaken as fast as manpower and other materials become available.

It is reported that the company's plan of recapitalization which will eliminate two issues of preferred stock carrying arrearages is almost ready for submission to stockholders.

Edward G. Budd Mfg. Co.

President Edward G. Budd has informed his employees that he believes there will be more postwar jobs in the Budd plant than there are now workers employed. "It is our belief," he said, "that goods will be taken by our customers just as fast as we can get them into production." He

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"Doc" Williams Moving to Du Bois, Penna.

PHILADELPHIA, PA. — Philadelphia traders will miss the effervescent fun, quick wit and unfailing comradeship of George H. "Doc" Williams, a partner of Kennedy & Co. since 1922, who is moving himself and family to Du Bois, Penna., this month. Between cracking jokes and trading P.T.C. issues with aplomb, if not always for profit, "Doc" stuck his fingers into the frozen-foods warehousing and distributing business. It was probably the best "buy" he made since he cornered the market on Mayflower Hotel bonds two decades ago. His partnership remains intact and the business will be managed and conducted by Harold Cunningham.

Jos. McNamee to Trade For Hopper, Soliday

PHILADELPHIA, PA. — Joseph McNamee, formerly with the Philadelphia office of Hornblower & Weeks, has assumed charge of the trading desk at Hopper, Soliday & Co., 1420 Walnut street, members of the Philadelphia Stock Exchange.

William Parvin Joins Roe in San Antonio

SAN ANTONIO, TEX.—William F. Parvin, who has been Assistant Manager of the Bond Department of the City National Bank & Trust Company, of Kansas City, Missouri, since 1935, has joined Roe and Company, Frost National Bank Building, as Executive Manager. Mr. Parvin is a native Texan and attended the University of Missouri. He started in the investment business in 1930.

C. W. Michel Partner In Loeb, Rhoades Co.

Capt. Clifford W. Michel has been admitted to partnership in Carl M. Loeb, Rhoades & Co., 61 Broadway, New York City, members of the New York Stock Exchange and other leading national Exchanges. Capt. Michel was previously a partner in J. S. Bache & Co.

Pennsylvania Municipals

Although the new issue Pennsylvania municipal market has been quiet in recent weeks, the lack of activity from this source has been offset in some measure by the reappearance in the market, via liquidation, of parcels of previously outstanding bonds. The City of Philadelphia was an important contributor in this regard, having recently disposed of $5,000,000 of its bonds which were previously held by the Board of Sinking Fund Commissioners.

This offering attracted a series of bids, with the winning tender of 116.9184 being made by a syndicate composed of Smith, Barney & Co., Harriman Ripley & Co., Yarnall & Co., Blair & Co., W. H. Newbold's Son & Co., Stroud & Co. and E. H. Rollins & Sons.

The sale consisted of several lots of refunding bonds, carrying interest rates of 3¼% and 3⅛%, maturing in various years (1965 to 1975), and optional in late 50s and in 1962. Rather close bidding was a feature of the sale, with only a few cents separating offers made by the unsuccessful syndicates.

* * *

The much discussed John Hancock Mutual Life Insurance Co. portfolio award included several small amounts of Philadelphia's, also a block of $500,000 Commonwealth of Pennsylvania 3¼s of 1953-1955. The latter brought a price to the seller of 120.971.

The Commonwealth, incidentally, closed its 1943-1945 fiscal biennium on May 31 with a record high surplus of $174,000,000. This was $4,000,000 more than Governor Edward Martin had anticipated earlier in the year and the surplus includes $111,750,000 in the General Fund and $63,000,000 in the Motor License Fund.

Approximately $49,000,000 of the surplus was appropriated by the legislature to liquidate bonded debt of the depression-born Pennsylvania General State Authority. In approving the repeal measure, Governor Martin said that the act will "remove the menace of placing unlimited indebtedness upon the Commonwealth without first submitting such proposals to a vote of the taxpayers."

Patently, the Governor is one official who is conscious of the fact that it is the taxpayer who ultimately must pay the "freight" and, accordingly, is entitled to at least some say with respect to the use of public credit.

* * *

With the passing of the State Authority, all of whose bonds, by the way, were held by the State Employees Retirement Fund and the School Employees Retirement Fund, the Commonwealth will receive title to the 550 buildings constructed during the tenure of the agency. Redemption of the bonds, which were to run until 1967, will save the Commonwealth millions in interest charges and in other expenses.

* * *

Governor Martin's action in recently approving measures exempting Pennsylvania municipals from the State's 4-mill personal property tax and from any similar county tax was favorably noted by the market. A principal beneficiary of the legislation will be the City of Philadelphia, which is expected to profit to the extent of $730,000 annually.

The city, of its own volition, has always assumed payment of the tax on its bonds, thereby enhancing their attractiveness marketwise. Another favorable development for the city was the defeat of efforts made in the legislature recently to repeal its productive wage tax.

NASD Dist. 13 to Hear Ralph Phillips June 8

The National Association of Securities Dealers, Inc., District No. 13, will hold a meeting in the great hall of the Chamber of Commerce, 65 Liberty Street, New York, at 3:15 p. m. on Friday, June 8, 1945. "Why belong to the NASD" will be the subject of brief remarks by Ralph E. Phillips, Chairman of the Board of Governors of the Association, following which and to the extent that time permits the meeting will be open for questions and general discussion.

Ralph E. Phillips

The District Committee believes it will contribute to the value of the meeting if members who have specific questions in mind will send them in writing to the office of the District Committee in advance of the meeting and, if possible, not later than May 29. This would assist the Committee in being prepared to discuss the topics of greatest interest to the members but is not intended to debar questions from the floor insofar as time may be available.

Because of the regulations of the New York City Fire Department the capacity of the hall is restricted. It is, therefore, requested that the attendance be limited to one delegate from each house.

Alfred M. Dick Joins Lewis C. Dick Co.

PHILADELPHIA, PA. — Alfred M. Dick, long associated with Hopper, Soliday & Co., is now affiliated with his brother, head of Lewis C. Dick Co., 1420 Walnut street. He will trade in securities and situations in which he has specialized for a number of years. Miss Hilda Williams, who has been on the Street since "way back when," will continue to service her own clientele.

The Mutual Fund

What It Is—What It Does—Advantages

By WALTER L. MORGAN*

Mutual Investment Fund resources have just exceeded the billion dollar mark by a good margin. Yet I doubt if there has ever been written a clear concise story understandable to the layman rather than the market expert or statistician as to what a Mutual Fund is. What Mutual Funds do, their advantages: what shareholders receive in the form of continued dividends, experienced management, diversification, is a real story. It shows why so many investors are turning to Mutual Funds whether their estates amount to $1,000 or $100,000.

Walter L. Morgan

What is a Mutual Investment Fund?—Let us suppose that you have $500, or even $5,000, to invest. If you invested this money yourself you would buy at most only four or five different stocks or bonds; but, if you and many others combined your money you could buy a much wider list of stocks and bonds for protection and profit.

Now, if you hire experienced investment management to carefully select and watch over your group investments and deposit all these securities with a bank as a safeguard, you would have the equivalent of the modern Mutual Investment Fund.

When and How Do You Receive Your Dividends? — Dividend checks are **mailed** to Mutual Fund shareholders usually every three months.

What Assurance is Afforded of Continued Dividends? — The amount of your dividends from a Mutual Fund may vary but their continuity is assured because you do not put all your eggs in one basket.

Your money in some Mutual Funds is put to work in over 100 different securities including America's leading companies. I believe your money should be divided among bonds, preferred stocks and common stocks to give you a balanced, or diversified, Mutual Fund.

Interest and dividends on the securities, less expenses, are distributed quarterly irrespective of profits or loss from sales of investments. When net profits are realized on sales of investments they are paid to shareholders and augment regular income.

How Are Your Dollars Invested? — Your dollars are invested for safety and profit in Mutual Funds by spreading them over 20 or more industries. Frequently your dollars are further diversified by spreading them over bonds and preferred stocks as well as commons with reserves established in cash and Government bonds as conditions warrant.

How Are the Assets of Mutual Funds Safeguarded?—First of all, the securities are held by a bank or trust company. Mutual Funds operate under protective investment restrictions, and are audited regularly by independent Certified Public Accountants.

Activities of Mutual Funds are regulated by the Federal Government under the Investment Company Act of 1940, and by laws and regulations of many States.

Who Owns Mutual Fund Shares?—Mutual Fund shares are owned by hundreds of thousands of individuals, many with only a few hundred dollars of savings. Some are large investors.

An increasing number of insurance companies, corporations, colleges, endowment funds, lodges, professional and semi-professional investors are buying Mutual Fund shares as a "sound" investment. This is convincing proof of their suitability for the average investor.

Is Management Important?—Good management is just as important in handling investments as it is in operating such successful companies as General Motors, American Telephone and du Pont. The average investor needs expert financial advice just as much as he needs the advice of a doctor or a lawyer. Experience has proved that merely holding a lot of different securities is not enough. You need expert management too!

Many Mutual Funds have had experience ranging from ten to 20 years, or more, through booms and depressions, in good times and bad. In many Mutual Funds the management record has been notably good—a fact recognized by independent financial authorities and publications.

What Are Additional Advantages?—Shareholders are relieved of many details:

1. They receive in four checks a year their share of many hundreds of dividend checks and interest coupons. This greatly simplifies income tax returns.
2. They do not have to bother with investment changes since these are handled by the Fund.
3. In event of death settlement and continued management of estates are greatly simplified.
4. Quarterly reports keep shareholders fully informed.
5. A market for Mutual Fund shares is guaranteed because you can turn your shares in to the Funds for cash and receive their exact liquidation value whenever you decide to sell.

The real story of the Mutual Fund then is to give aid in solving these fundamental problems facing all investors, how to protect your estate through diversification, make it grow by good management, and obtain continued dividends.

*Condensed from illustrated copyrighted booklet issued by Mr. Morgan who is President of Wellington Fund.

Pennsylvania Brevities

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stated that the change from producing shells and bombs to making automobile bodies and railroad cars is a tremendous piece of work which will require the spending of millions of dollars and take months to accomplish. New presses are coming into the plant. Old ones are going out. Foundations are being built. Machinists are busy producing new tools. The transition will keep thousands of workers occupied for months.

A note of high optimism was struck with the statement that the company's sales in its first post-war year would exceed those of any pre-war year.

William K. Barclay, Jr., Stein Bros. & Boyce, Edward Boyd, Jr., Harriman Ripley & Co., and Wallace H. Fulton, executive director of NASD, attended this Association's joint governors' and advisory council meetings at Seaview Country Club, Absecon, N. J., last Monday and Tuesday.

Corporation Notes

April net operating income of Pennsylvania RR. was $9,397,623, compared with $8,810,307 in April, 1944.

The Harbison-Walker Refractories Co. of Pittsburgh announces the purchase of controlling interest in Canadian Refractories, Ltd.

Stockholders of Hamilton Watch Co., Lancaster, Pa., will vote at a special meeting June 25 on a recapitalization plan providing for the call of present 6% cumulative preferred and the issuance and sale to common stockholders of a new lower-dividend convertible preferred.

Dealers alert to under-priced stocks possessing speculative merit are favorably disposed toward the common shares of Pennsylvania Engineering Corp. of New Castle.

Through its wholly-owend subsidiary, Pennsylvania Engineering Works, the company manufactures a diversified line of steel mill equipment including blast furnaces, cars, ladles, rolling mill tables, hot blast stoves, gas washers, cupolas, open hearth furnaces hot metal mixers, etc. Funded debt, outstanding in the amount of $419,500 on Dec. 31, 1942, will have been completely retired out of earnings on July 1, 1945. Sales of $2,025,311 in 1944 produced a net profit of $103,363, equivalent to $0.85 per share on the 120,665 outstanding shares. Book value is reported to be $12.92 per share. Current market, about 4.

Pittsburgh Railways Co. operating revenues for 1944 are expected to slightly exceed the $21,292,180 reported for 1943. It is reported that current operations compare favorably with the first quarter of last year. Within the last six months, the company has received delivery of 65 additional cars of the high-speed PCC type and has another 100 cars nearing completion.

These cars are considered to be important factors in gaining and holding patronage and in reducing operating and maintenance costs.

Cobb Part Time Consultant for Army-Navy Liquidation

Augustus S. Cobb, Vice-President of the Bankers Trust Co., New York City, has assumed duties as a part-time consultant and adviser to the Office of the Army-Navy Liquidation Commissioner, Thomas B. McCabe, Commissioner, announced on June 4. The Commissioner pointed out that the appointment of Mr. Cobb is in line with the policy of the OANLC to secure outstanding business leaders to aid in the vast and complex business of disposal of all overseas surplus of the armed forces. In addition to his industrial posts, Mr. Cobb previously served the Government as Director of Conservation, U. S. Fuel Administration, 1918-19; and as Director of Conservation, New England Fuel Administration, 1917-18.

Mr. Cobb began his business career with Cobb & Co., Boston, in 1908, and was associated there until 1917. In 1919, he joined the Bankers Trust, and has been Vice-President since 1922.

His industrial connections include the following:

President and Director of the City Land Company since 1937. Director of the following: Andersen, Meyer & Co., Ltd.; Bankers Safe Deposit Co.; South Porto Rico Sugar Company; Brooklyn Eastern District Terminal; Great Western Sugar Company; Havemeyers & Elder, Inc.; Montana Chrome, Inc.; Scranton & Lehigh Coal Co.; and Metallizing Co.

The Railroads Face the Future

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may be soon!—there will be another transition period back into what we all hope and pray will be the lasting ways of peace. Then, too, there will be transportation, as there has always been, and to the extent the railroads can make it so it will be keen, alert, courteous, vigorous transportation animated by a combination of men and management seeking in unity first of all the welfare of all the nation.

This final transition to the ways of peace will of course be in progress to some extent before the completion of the war with Japan. It would be against the whole trend of human nature and of the American spirit in particular to expect otherwise at this propitious time. We are in that phase already with the first plans for reconversion of industry. If this development is so measured and timed as to take up the slack between our productive capacities for a two-front war and a one-front war, then indeed it will be a good thing for us all, as it would cushion the shock of complete reconversion after final victory. I am for it if it will not delay the date of that final victory. Nothing must be allowed to interfere with our collective determination to press the war in the Pacific to the earliest possible completion.

War Burdens of Railroads

As we turn from our maximum war effort toward the first glimmerings of an eventual final peace, it would not do for us to forget the burden which that war effort called upon the railroads to assume. Between World Wars I and II we in America developed a good many types of carriers aside from railroads. Some of these newer carriers had been only in the embryo stage at the time of World War I; it was almost altogether a railroad war as far as regards overland transportatiton. Yet those newer carriers by 1939, the last year of reasonably full peace, had assumed a great deal of the nation's customary peacetime burden of transportation.

In do not need to remind you of the casualties suffered by these auxiliary methods of transportation in the early months of American participation in World War II. Rubber was curtailed, gasoline was limited, submarines came along, even the Panama Canal became out of bounds. The "standby" service of the railroads was called upon again and again just as there was being added to the customary civilian traffic the immense war traffic in materials and supplies demanded by our fighting forces.

What this meant in increased dependence upon the railroads is best expressed in some estimates from the Association of American Railroads. These estimates show that the railroad proportion of total inter-city freight transportation in the United States rose from 62% in 1939 to 70% in 1942 and to better than 71% in 1943 and 1944, when the annual total for all carriers was more than a thousand billion ton-miles. On the passenger side the several agencies of transport (excluding the private passenger automobile, which was really the war's biggest transport casualty) handled a peak business in 1944 of roundy 135 billion passenger-miles. The railroad's proportion of this business rose from 61% in 1939 to 71% in 1944.

Without the tremendous excess capacity of the railroads, this vast growth in our national transportation needs could not possibly have been handled. For this I want to pay a sincere and well-deserved tribute also to the loyalty, devotion and skill of our railroad workers—in particular to the "old heads," whose steadiness and experience have meant so much in the training of the hundreds of thousands of new workers, many of them women and young people, who have rallied to our call.

From Pearl Harbor to the end of December, 1944, the railroads transported approximately 37,200,000 members of our armed forces in special troop trains or in special troop cars attached to regular trains. This figure does not include many millions of railway journeys made by uniformed men and women traveling singly or in small groups in line of duty or on furlough. For the army alone we handled some 28,000,000 men in organized troop movements and 225 million tons of freight and express.

From 1940 to 1944 export freight by railroad more than doubled. Unloadings for that purpose at all American ports in 1940 were 818,000 carloads. This business grew through 1941 and 1942 and 1943 to a record wartime top in 1944 totaling 1,913,000 carloads. In all kinds of freight, the railroads handled during 1944, our last full year of the global war, an all-time record-breaking total of 738 billion ton-miles. This was nearly double the corresponding traffic of 1918, the big year of World War I. In 1944 we likewise broke all records in passenger traffic with a total of 96 billion passenger-miles, which was considerably more than twice the corresponding 1918 performance and, parenthetically, more than four times as large as our pre-war passenger-mile total of 1939.

As a sidelight, I might add that railway employment in 1944 was greater than in any year since 1930, and the railway payroll was the highest in history. Our stake was victory in Europe, and in my opinion it was well earned. The importance of the part the railroads played in the outcome can be recognized, I am sure, without any need of waiting for the verdict of history.

For the immediate future, as I have indicated, our principal duty on the railroads is to concentrate upon transportation for the Pacific War and for those phases of the reconversion program which are already beginning to unfold. That will require no new development on our part—only more of the same we have been doing. For the long-pull post-war future, however, we must first of all agree upon certain guiding principles and hew to the line they set us, come what may, in the certainty that the test of their soundness will be the contribution they make to the solution of the nation's many problems **after** the war. So the question is: **After** the war, **what?**

The Post-War Problem of Management

One thing I see ahead of us on the railroads after the war is a tremendous challenge in the field of human relations. It has often been said, and truly in my opinion, that the greatest asset of any business is the people who work for it. The challenge which I see in railroading is to make the most of that great asset. We must have the willing co-operation of the men—and the women, too—who man our railroads. We must arouse and maintain their interest and initiative. We must marshal their energy and enthusiasm. We must bring about real understanding— in both directions—between those who supervise others and those who work under supervision.

I want our railroads to lead the way in a truly creative partnership of men and management. As I see it, this involves: the finest selection we can make of new employes; a balanced and sound program of indoctrination and training; a continuing plan for the fullest sharing of managerial information with all railroad workers; recognition and tangible rewards that will stimulate every worker in every rank to put forth his best efforts at all times; and a character of leadership that will win and deserve to win the confidence and loyalty of every individual in the industry.

I do not believe I am setting my aim too high. The first and most important thing we have to recognize in human relations—and it is just as true in any other business as it is in ours—is that there is no clash of interest between those who work and those for whom they work. In the past we have heard too much about capital and labor with one set off against the other. We ought to discard such terminology and the confusion of thought for which it has come to stand. In the better world which we confidently expect to follow this war, our hope of progress lies in having much less competition and much more co-operation in human relations.

Equipment Improvement

Another thing I see ahead of us in the railroad business after the war is to continue on to higher ground in the never-ending evolution of the art of transportation. The railroads of America constitute an industry calling for creative imagination. That industry needs—and after the war is over will greatly need—new equipment, new machinery, new methods. Our task is to meet those needs better and more fully than they have ever been met before.

In the last fifteen years the railroad business has undergone two great tests. First was the depression, which halved the traffic and revenues of the railroads. The railroads met that test with a brilliant record. Not only did they survive, which in itself would have been no mean achievement; more than that, they made in the depression years the greatest strides any American industry has ever made in such a span of time in the improvement of services and operations. Before the books were closed on that great test, the outbreak of war plunged the railroads into another, with rapidly and greatly mounting demands for rail transportation in the midst of unprecedented shortages of men and materials. Ask any man on any street in America how the railroads have met that test, and you will get the ringing answer: "They have certainly done a grand job."

These two tests have demonstrated—if any demonstation be needed—the enormous possibilities of the railroads. As we face the future we must resolve to realize the utmost upon these possibilities in the days and years to come.

The Need of Sustained Traffic

Still another thing I see ahead of us in the railroad business after the war is a struggle to sustain the sources of traffic which furnish the lifeblood of our railroads. It seems to me unnecessary to prove the simple statement that everything else depends upon our success in doing that. Upon our traffic depends the security of employment of our workers. Upon our traffic depends our ability to obtain and utilize the new tools we must have to make the railroads better instruments of service to the American people.

There are some people who seem to be pessimistic concerning the future traffic of our railroads. I am not one of them. We are in the midst of a great industrial revolution in America—a revolution in which new methods, new processes, new materials and new products are changing the industrial map of the country. A similar revolution is going on in agriculture. The end of the war will find us not going back to a pre-war economy but going forward to a post-war economy. There is only one place for the railroads to be in that situation, and that is in the thick of it—keeping abreast of these developments, leading the way to bring the fruits of these developments to the communities, and the people—all the people — in the communities, along their lines.

Certainly, the conversion of American industry from normal production to war production has brought about the greatest pent-up demand for goods of all kinds that we have ever had in America. And still further, our destiny of leadership in the post-war world will open new frontiers for American enterprise greater than this country has had since the settlement of the West.

Those frontiers will be not only in this country but also overseas. I look for heavy exports from the United States for at least five years after the war—and for much longer than that if our business people take full advantage of the foreign trade situation. Europe is devastated. It must first provide housing for millions. Many of its basic industries have been damaged; factories have been demolished; machinery has been destroyed; its food supply is exhausted. Europe must have housing materials, machinery, farm equipment. locomotives, cars. It cannot produce all of this material alone. Much of it must come from the United States.

Latin America, too, which prior to the war went to Europe for so many of its imports, must for a long time continue to look to the United States. It has a starting credit of some five billion dollars in this country which will be used to buy goods here. Then, too, our overseas expeditions during the war have helped to spread knowledge of American products throughout the world. People in other countries know better what we have to offer.

Greater interest is being displayed by our own people in foreign trade than ever before. We are coming to realize more and more that our tremendous post-war capacity to produce will require outlets beyond the seas as well as here. We have a great many orders already on hand and others promised. It will be up to us to fill them so well that our foreign trade will deserve to continue a rate of expansion fully in keeping with the increased consumption which we are expecting here at home. That will be our best and most lasting contribution to world rehabilitation after the war.

Some fantastic things are being said nowadays about the opportunities for American enterprise in the post-war world. I am tempted to take the most fantastic and call it an understatement. If we are really as smart as our American tradition has taught us to be, we can exceed the dreams of our greatest dreamers. I for one believe we will.

I am not prophesying the millennium. There will be many and desperate problems confronting us after the war is fought to a finish. However, I do not think we need to shiver and shake over them. Rather I think we need to look the future full in the face, recognize our assets as well as our liabilities, make courageous plans

and resolve to see them through. Such a spirit—as I read the record—is the secret of all success we have had in the building of America.

So much for the principles underlying our railway approach to the post-war future. I think they are sound principles and both the railroads and the nation will benefit by our adherence to them.

No Reconversion Problem

For the practical terms of their application, I want to point out that the railroads are one war industry that has no reconversion problem. Our products are ton-miles and passenger-miles. Our tools are locomotives and cars and yards and shops and stations. Both our products and our tools are the same for war or peace. The skills required to operate the railroads are the same for peace or war. We will not have to close down or slow down for one moment to change over.

That does not mean there will be no change on the railroads after the war. On the contrary, there will be vast changes. There will be constructive thinking, constructive planning, constructive performance in both passenger and freight service. I am confident that the next five years (God granting an early end of the Japanese war) will witness the greatest transformation in the tools and methods of the railway business that we have ever had in anything like that period of time—and I do not except even the days of the pioneers.

This transformation will be mainly in the direction of modernization. We were already doing a lot of that, you recall, when this war started. We will pick up where we had to leave off when the war came along, and as promptly as materials and manpower become available we will add all the other things we have since figured out, plus the new developments that can be garnered from what our suppliers and all industry have meanwhile learned. That's a big order—but we have the funds and the plans and the confidence and the courage to carry it out.

Faster Freight Service

One example of the trend we had in progress when the war started was overnight freight service to points far distant—points that previously managed to get along with deliveries twenty-four or thirty-six hours from the time of shipment. Chicago was interested in that, because it was our pioneer MS-1 that made possible such service to Memphis, 527 miles away. It provided pick-up of less-than-carload freight at the close of one business day here in Chicago and delivery in Memphis at the beginning of the following business day. That's an advantage most shippers could—and did—appreciate. I never saw a freight train on which business picked up faster than on MS-1 from the moment of its entry into service. I cite it here as an example of the type of service that makes a railroad liked among its customers. There will be further expansion of such schedules in post-war days. All freight service will be on faster schedules that can and will be maintained with the same fidelity as the schedules of our finest passenger trains.

There will be improvements likewise in freight terminals to expedite and protect shipments and to reduce expense of handling. Special service equipment will also be provided for freight that moves in carloads, particularly perishables and other fast freight. There will be better power, better cars, better track, elimination of terminal delays. Passenger service, too, will be improved. There will be more and better streamline trains, with smart styling, comfort and convenience—all based upon our own studies as well as analyses of the needs and desires of our passengers, both old and new. You know the war brought us a lot of new passengers, many of whom had never been on a train before; we will do our best to keep them for customers.

Also we must not overlook the fact that improvement and maintenance of schedules require a good deal of work and money behind the scenes on the railroads as well as out in the open where the customers see what is going on. It is not a matter of the power and speed of locomotives alone, nor the adaptability of the equipment behind them. We have to start at the foundation, with improvement in the track, and we have to build in added quality and dependability all the way up, including bridges, signals, terminals, communications, cars—and last, but not least, better information and understanding among the personnel charged with getting out the needed performance. It is a long row and a hard one, and we have to hoe it all the way.

These are the lines along which must be exerted our pressure for continuing evolution in the art of transportation. I wonder how many of you have ever called to mind all the improvements in railroad transportation you happen to know about that have taken place in your lifetime. I suggest you try it some time: I think you will be amazed. And unless you have spent a lifetime at railroad work, the improvements you happen to be acquainted with are only a tiny fraction of all that have taken place. There have been vast improvements in all departments—improvements in all the services of the railroad, in methods of operation, in the tools and materials used, in the design of everything that goes into the work of the railroad, even in the training of the workers and the organization of the work. Trains still run on tracks, but that is just about the only thing that hasn't changed, even in my time.

This dynamic quality is one of the outstanding characteristics of the railroad. We cannot stand still. Our business is movement, and we have to keep on the move all the time. We are never satisfied, we cannot be satisfied, with what we have. We must be constantly planning for the better. That is a big part of what we have ahead of us on the railroads, and we will work at it, you may be sure, with all the energy and intelligence of an alert and progressive organization. And the plans we make and put to use will mean a lot to you as business men and citizens of Chicago and to all the people who live along railroads and look to railroads for the bulk of their transportation, both in war and in peace.

Chicagoans especially will have a lot at stake in post-war railroading, for this city has long been recognized all over the globe as the world's greatest railway center. The railroads made Chicago great and can keep her great. They can do so especially in the post-war set-up of industry and commerce, for that will surely require dependable large-scale transportation as an essential part of manufacture and distribution.

And Chicago should be able to rely upon its railroads in the future as it has in the past, for the post-war railroads, to survive and prosper, must have the same sort of confidence and courage that made Chicago so great a railway center. It is the "I Will" spirit—the spirit that can meet and overcome competition. For, of course, we are going to have post-war competition in transportatiton—intense, keen competition. Everybody surely knows there is nothing new in that. The last twenty-five years have witnessed no greater rivalry in any line of endeavor in all this country than the rivalry of competing forms of transportation. The railroads have survived that ordeal; I know of no reason to shrink from anything the future may have in store for them.

No Fear of Competition

As for me, I say of competition: Let it come! Give us policies of government that will be conducive to some semblance of equal opportunity, and the railroads will take care of themselves. Make it truly a struggle for survival of the fittest, and the railroads will not be found wanting. Our generation of railroaders can live up to our greatest traditions.

This they will do, I am sure, because the nation needs them. We must have railroads in and for America—solvent railroads, strong railroads, manned by alert and respected workmen, directed by progressive management, modernized to fit the needs of post-war America, operating under sound policies of government, and commanding the confidence of the American people.

Says F. R. Notes Lack "Metallic" Backing

Edward Henry Neary, Attorney, Points to Statement of Chairman of the Federal Reserve Board That There Is Not Any Tangible Collateral Back of Federal Reserve Currency.

Editor, Commercial & Financial Chronicle:

Is our currency "backed by," or is there "behind" it, or is it secured by, metals, or by reserves of metals?

Twenty-two billion of our $26 billion money outstanding consists of Federal Reserve notes. I limit my remarks to them.

A Federal Reserve note is a written promise by the United States of America to pay dollars to the bearer on demand, i.e., the Government is the promisor, the maker, the debtor. They are issued by the Treasury to the Federal Reserve banks. The bank delivers gold certificates for at least 40% of the amount received, and other securities. (Federal Reserve Act, Sec. 16, 11e.) The Government is therefore secured as against the bank; the F. R. bank issues the notes to member banks upon security delivered by the member banks, which distributes them to the public.

Prior to 1934 the dollar was 25.8 grains troy of gold 0.9 fine (U. S. Code, Title 31, Sec. 314). The transfer of gold was stopped by proclamation of President Roosevelt, effective March 6, 1933, which was approved and confirmed by Act of Congress of March 9, 1933. The gold was gotten into the F. R. banks by proclamation of March 9 and Dec. 30, 1933, and by Treasury Order of Dec. 28, 1933.

The title to the gold was passed to and vested in the United States by the Gold Reserve Act approved by President Roosevelt Jan. 30, 1934. The banks received certificates for the gold expressed in dollars, not in ounces, payable according to law, but the Gold Reserve Act forbids the payment. The next day President Roosevelt depreciated the dollar 10 59/105 grains of gold 0.9 fine to 15 5/21 grains.

Under the Act of March 9, 1933, and the Order and Proclamations, it is a crime to possess gold, punishable by $10,000 fine, or imprisonment for 10 years, or both.

A Joint Resolution was approved by President Roosevelt June 5, 1933, which made void promises to pay dollars in gold coin of the then weight and fineness, the gold clause. This Joint Resolution was held void as to obligations of the United States in Perry v. U. S. 294 U. S. 330. Whereupon Congress adopted a Joint Resolution, approved by President Roosevelt Aug. 27, 1935, which withdrew the consent of the United States to be sued on the gold clause and for damages for the seizure of the gold!

The Chairman of the Board of Governors of the Federal Reserve System on Feb. 20, 1945, made a statement to the Senate Committee on Banking and Currency on S. 510 to reduce the security required of the F. R. banks on the issue of F. R. notes to them. He said, in part, as to the F. R. notes: ". . . gold redemption is now not permitted for domestic use, and gold can be exported only under license" (page 33); ". . . The currency is not convertible into gold" (41); "Surely an obligation of the United States is not improved in credit standing by endorsement of some member bank" (4); that a reserve is not necessary (21, 22, 29, 40, 41, 50); for example, at p. 29, ". . . you might very well issue them without anything back of this currency, anything back of the Federal Reserve note, as I have advocated for a long time. . . . We are practically the only country in the world that requires collateral."

The terms "backed by" and "has behind it" are unknown in law. Promissory notes and bonds are evidences of debt. They can be secured by mortgages on real or personal property and by pledge or pawn which is property in the possession of the creditor, or of a third person in his behalf. The gold and the gold certificates which are delivered as security on the issue of the notes to the F. R. banks are held by the Government, the debtor, not by the creditor. The Government promises to pay gold; it refuses to pay and refuses to be sued; the holder of the notes has no remedy, no recourse; he cannot collect; there is no property subject to his control.

The answer to the question is, No.

EDWARD HENRY NEARY.
Port Washington, N. Y.

Frank Lynch Is Now With Mellon Sec. Co.

Frank Lynch has become associated with the municipal bond department of Mellon Securities Corp., 2 Wall Street, New York City. Mr. Lynch was previously with Blair & Co., Inc. In the municipal department.

Masters With Kuemmerling

(Special to THE FINANCIAL CHRONICLE)

INDIANAPOLIS, IND.— William G. Masters has become associated with Don D. Kuemmerling, Union Trust Building, Cincinnati, Ohio. Mr. Masters was previously with Henry K. Dalzell and Thomson & McKinnon. In the past he was an officer of M. P. Crist & Co.

Bank and Insurance Stocks

This Week — Insurance Stocks

By E. A. VAN DEUSEN

At the seventy-ninth annual meeting of the National Board of Fire Underwriters, on May 24, the retiring president, John M. Thomas, made a most comprehensive and instructive address. In the course of it he emphatically and plainly refuted the Government's contention that the fire insurance business is a monopoly. Said Mr. Thomas, "we do not concede that our purposes and services are monopolistic."

John M. Thomas

This thesis he developed at some length, effectively and convincingly, and what he said was important. With this in mind, we present some of Mr. Thomas' observations, as follows:

"Any group of men or women in any State, who can meet the qualifications of their State's laws as to character, capital and reserves required, can launch a capital stock fire insurance company. They can enter the business on the same basis as the oldest and most widely experienced of any of the companies in the field. There is available the tabulated, analyzed experience of all the companies over the years, scientifically reduced to a classified rating service resting upon the mathematical accuracy of the law of great numbers over a large area, and supervised by the insurance officials of the States in which any company operates.

"**This business is the direct antithesis of monopoly.** Without that system of rating, open to all companies on equality of terms, only the very largest companies with the broadest experience on which to base their rates could operate in the public interest. With that system of rating, all can enter on equal terms who can qualify under the laws of their home state. It is equality of opportunity and equality before the law plus equality of access to adequate rates that will protect the public against overcharge and insolvency, and equality in contract terms under the standard policy laws. **Monopoly under such conditions is impossible.**" (Boldface is ours.)

In view of Mr. Thomas' unqualified statements to the effect that there is no monopoly in the fire insurance business, with which this column fully concurs, it is of interest to present a few facts.

In the latest edition of "The Spectator" Insurance Year Book, there are listed 372 stock fire-marine insurance companies, 176 mutual fire insurance companies and 41 reciprocal and Lloyds underwriters. Total assets of the stock companies aggregated approximately $3,000,000,000; of the mutuals, $21,000,000, and of the reciprocals, $88,500,000. Total paid-up capital of the stock companies aggregated approximately $353,000,000. Thus, there at once appears to be plenty of competition in the field. First, is the competition between the stock companies and the mutuals, and second, the competition between the 372 individual stock companies.

However, there are certain large groups or "fleets," operating substantially under one management, within which competition may be relatively nominal. For instance, there is the Home "fleet" of 12 companies, the American Fore group of seven companies, the Aetna Fire group of six companies, and the Crum & Forster group of nine companies, to mention a few.

Another point worthy of attention is that there are very few stock fire insurance companies which can be considered as really large, that is to say, having total assets in excess of $100,000,000. According to Best's list of the "50 largest," there are only five such companies, as follows:

Insurance of No. Amer.	$160,999,000
Hartford Fire	160,096,000
Home Insurance	148,632,000
Continental Insurance	137,711,000
Fidelity-Phenix	111,281,000

Companies with total assets between $50,000,000 and $100,000,000 number six; those with total assets between $25,000,000 and $50,000,000 number 15, while 24 companies have total assets of between $10,000,000 and $25,000,000. There are more than 300 stock companies whose assets are under $10,000,000, as follows:

No. of Companies	Total Assets
6	$9,000,000 to $10,000,000
12	8,000,000 to 9,000,000
13	7,000,000 to 8,000,000
15	6,000,000 to 7,000,000
26	5,000,000 to 6,000,000
21	4,000,000 to 5,000,000
38	3,000,000 to 4,000,000
42	2,000,000 to 3,000,000
58	1,000,000 to 2,000,000
70	Under 1,000,000

Although these 372 fire insurance companies are stock companies, comparatively few of them are widely enough held to have any market following. For example, only 52 of them are shown in the list of insurance stocks which are daily quoted in the New York Times. If this be monopoly, make the most of it. (Apologies to Patrick Henry.)

Cartels—A British View

(Continued from first page)

measure of public ownership or control. The process is not only desirable but inevitable. At the same time, a point frequently arises in the growth and development of modern large-scale industries when, by means of absorption, amalgation or simple agreement, commonly called "rationalization," internal competition is eliminated. The industry thereupon becomes, in fact, a national concern of a monopolistic character. The next step is obvious. If you can get rid of internal competition, why not get rid of all competition? Compacts are entered into with similar industries in other countries relating not only to prices, but also to markets (usually divided into specified sales areas), output, patents, and the exchange of information regarding technical processes. They leave the door wide open to grave abuses. Left to itself monopoly tends inevitably towards restrictive policies, and implies the possibility, if not the certainty, of taxing the consumers by maintaining an artificial level of prices, for the benefit of the monopolists.

Nevertheless, a good deal of nonsense is now being talked and written about cartels, and politicians in particular are apt to show rather less than their usual intellectual integrity when discussing the subject. Those of the right would have us believe that many industries which are, in fact if not in name, monopolies, are subject to free competition. Those of the left try to pursuade us that the solution of the problem is to be found in the establishment of the greatest and most powerful monopoly of all—that of the State. The truth of the matter is that the natural evolution of the competitive system which has come to be known as capitalism is towards a concentration of capital which results in monopoly. Over a fairly wide sector of the industrial field free competition is no longer compatible with efficiency. You can't make people compete with each other, if it is no longer in their economic interest to do so. Hence the break-down of the Jeffersonian philosophy, with its conception of individual liberty based on free competition and a genuine agricultural democracy; the triumph of Hamiltonian economics, based on the concentration and consolidation of urban financial and industrial power; and the dilemma which confronts the philosophical radical in a world in which free competition is largely out of date. The large-scale economic organizations of modern times are an inevitable outcome of modern technique, and tend increasingly to make competition wasteful.

The Advantages of Cartels

The problem is sufficiently serious to warrant objective consideration. First of all, what are the facts? The purposes of cartels are good as well as bad. Fundamentally they are an attempt to relate production to demand, in order to avoid cut-throat competition and ultimate bankruptcy. That is why they have been applied so frequently in the past to those industries, such as coal, heavy iron and steel, and the production of basic metals, which are subject to particularly sharp cyclical fluctuations. Take, for example, the European coal, iron and steel industries in the nineteen-twenties. There was an immediate post-war boom, during which productive capacity was built up beyond the requirements of the peak load. Slump came in 1921, followed by a period of deflation, i.e., a fall in the general level of prices, which in Great Britain was aggravated by her return to the gold standard at the pre-war parity of exchange in 1925. Demands for a reduction in wages were resisted by the miners, and resulted in the prolonged coal stoppage of 1926. The miners were beaten, and a period of cut-throat competition between Great Britain, Germany and Poland ensued. Within two years every ton of coal cut in Europe was being sold below the cost of production, despite the fact that the general standard of living of the miners everywhere was disgracefully low. The British clung desperately to the principle of free competition, and ruined their heavy industries in the process. Their export policy cost the coal industry alone upwards of £8,000,000. The Germans adopted a different technique. They carried out a thorough-going rationalization of their heavy industries by means of a scientific concentration of all firms within a single industry, for the execution of common functions by means of a central independent executive. What emerged was a series of great trusts or corporations, encouraged, recognized and supervised by the State, but enjoying extensive statutory rights of their own.

This process involved about 12,000 capital reorganizations or bankruptcies. It resulted, however, in the elimination of almost all redundant and uneconomic units; a concentration of production at a level of efficiency which produced an all-over annual increase of three million tons of pig-iron, ingots, and finished steel; and centralized sales organizations capable of conducting economic warfare with the minimum of loss and inconvenience to the home producer, or, alternatively, of negotiating favorable international agreements. The present writer visited the Ruhr magnates, including Thyssen, in the spring of 1928. They advocated an international cartel for the coal, iron and steel industries of Europe, which would stabilize production, wages, and prices, and equitably divide the available world markets. "The reason your coal industry is never out of trouble," they said, "is that it is comprised of hundreds of separate, competing and mutually destructive units. They won't even speak to each other—so how can they speak to us?" There can be no doubt that the Ruhr magnates were right. The policy of cut-throat international competition proved disastrous to all concerned. The conclusion is inescapable that the only hope of solving the economic problem presented by the heavy industries, and those which produce basic commodities, lies in international control over their output and the distribution of their products.

Cartels Applied to Agriculture

This immediately brings us to another, and allied field—the field of agriculture. Here again we face a problem of potential over-capacity, due primarily to the difficulty of relating supply to demand without variations in price of a character and violence which, in a slow-producing industry, cause intolerable hardship to the producer. Here again the answer is to be found in international control over the production and distribution of primary commodities, through the establishment of an International Commodity Board or Corporation with power to purchase raw materials on a large scale, to store them, to sell them, and to build up buffer stocks for the purpose of stabilizing world prices.

International agreements already exist in respect of wheat, oil, coffee, sugar. They will have to be improved in the light of war experience, and extended so as to cover at least meat, coal, steel, and basic metals. What are they, in essence, but government-controlled cartels? It is clear that we have already moved far beyond the nineteenth century conception of free international competition. Yet if the proposed international organization was made the instrument of deliberately planned expansion designed to initiate and direct a world economic policy based on human needs, a new vista would open up for mankind. We might even convert raw materials surpluses from the menace we have made them in the past into the blessing they ought to be. For, in the long run, overproduction is an anachronism in a world in which great masses of population are, by common consent, inadequately fed, housed, and clothed.

The British Attitude

The British approach to the cartel problem differs from that which is still generally prevalent in the United States mainly because of our different attitude towards international competitive trade. It has been well summarized by one of our leading industrialists, Lord McGowan, as follows: "There are few today who would recommend a return to unrestricted competition as the basis of our economy, either at home or in export markets. . . . The fact is that the very size of the big unit means that its prosperity is directly related to the prosperity of the nation. . . . The only solution is to regulate production and prices and to control competition in the interests of all parties." Also by one of our leading Conservative politicians, L. S. Amery, as follows: "Only a planned and controlled trade and international policy can sustain a planned social system in a highly competitive world. The economic stability

and progress upon which depends all future progress in social reform cannot be left to the chances of unaided individual enterprise in a world of promiscuous international competition."

To us the alternatives are international economic collaboration, or international economic war. We prefer the former. We do not believe that the problem of international cartels can be solved, in the modern world, by the simple process of trust-busting. It is more complicated than that. Nor do we believe that it is either practicable or desirable to revert to the economic anarchy of the nineteenth century. We remember the history of oil, steel and railroads in the United States; and the methods by which men like Rockefeller, Carnegie and Vanderbilt achieved a concentration of production, with a consequent increase of efficiency and dimunition of waste. When he was giving evidence before a committee of the New York Assembly in 1879, W. H. Vanderbilt was asked how he accounted for the Standard Oil monoply. His answer was revealing: "They are very shrewd men. I don't believe that by any legislative enactment or anything else, through any of the States or all of the States, you can keep such men as them down; you can't do it; they will be on top all the time; you see if they are not." The process of industrial concentration in the heavy industries was, in fact, an inevitable development of free competitive capitalism. It would only be repeated under similar conditions. So why attempt to restore them? This is borne out by the comparative failure of the Sherman Anti-Trust Act. It did not prevent the United States from participating before the war in the chemical, plastic, aluminum, magnesium, and electric lamp cartels. And the story of the futile efforts of the Department of Justice to break the aluminum cartel, by a series of lawsuits brought over a period of years, borders on the farcical. The truth is that the magnates who rationalized industry succeeded not only in piling up vast personal fortunes, but also in solving the problem of production. The problem that remains for us to solve is the problem of distribution.

British Policy

In Great Britain we propose to attack this problem along three lines. First, by the policy of planned economic expansion, designed to achieve a high level of employment. Second, by a purposeful direction of trade, involving control over the import of food and raw materials, designed to secure that the demand for necessities is satisfied before the demand for luxuries is met. Third, by a system of social security organized by the State.

A large portion of the industrial field will be left under any Government, in private hands, and subjected so far as possible to the free play of competition. But private enterprise can only flourish on the basis of confidence; and the greatest enemy of confidence is uncertainty. It will therefore be necessary to fix a clear line of demarcation between those industries which, owing to their basic national importance or monopolistic character are to be subjected to control of one kind or another, and those which are not. The controls will take many different forms, ranging from the development of semi-autonomous Public Corporation, through statutory Industrial Boards, to certain general regulations. In very few cases will they take the form of complete Government ownership, which, through an overconcentration of organized political and economic power, constitute by their very nature a direct menace to the freedom of the individual citizen. The great advantage of "amphibian" forms of ownership and control is that they avoid the omnipotence of uncontrolled State domination, retain a certain degree of flexibility, and preserve the constitutional checks and balances which are essential in a democratic society.

Offsetting Cartel Dangers

So far as monopolies and cartels are concerned, the main dangers to be guarded against are (1) the restriction of output, (2) the suppression of technical improvements, and (3) monopoly profits, resulting in a reduction of demand and excessive savings. The methods by which these can be averted are, first and foremost, the weapon of publicity. All trade associations should be required to deposit the details of their articles of association in an office, where they are open to public inspection. No firms or associations should be permitted to enter any cartel arrangement with any firm or association operating outside the country without the sanction of the Board of Trade or Department of Commerce, or Congress. Finally the accounts of all monopolistic concerns, including up-to-date information on unit costs, should be furnished to the appropriate Government Department, which would make an annual report to Parliament. The prospect of such controls has been generally accepted by British industry, for it is now widely recognized that monopoly and control go hand in hand—that public control over the monopolistic world removes the free choices of the few only, and that this in turn means no more than the removal of instruments of economic exploitation over the many. As R. H. Tawney has pointed out, the fundamental choice is not between private enterprise and socialism, but between monopolies which are private and irresponsible, and those which are public and responsible. Some revision of the patent laws would also seem to be called for, to prevent the permanent underwriting of private monopoly. Along these lines we believe that, in the words of Professor Hansen, monopolistic organizations and corporations can be made the servants of a well-functioning economic and political society, and not its masters.

The solution of this particular problem, as of so many others, lies neither in a completely free or a completely planned economy, but in a compromise between the two, involving intermediate organizations of varying types. This of course is unpalatable to politicians, who like their issues kept simple. Unfortunately, life is no longer simple; and never will be again. The root of the whole matter lies in the conscious pursuit of an expansionist economic policy by the principal industrial countries. Insofar as the major fluctuations of the trade cycle are eliminated, and a high degree of stability is achieved at full-employment incomes, the necessity for restrictive policies of any kind will be diminished.

Hoit, Rose & Troster Opens Atlanta Office

C. B. Blakeman to Be Mgr.

ATLANTA, GA.—Hoit, Rose & Troster, New York investment firm, has opened an office in the First National Bank Building under the management of Chester B. Blakeman. Mr. Blakeman was in the past a partner in Dobbs & Co. and was with Jackson Bros. & Boesel.

Van Ells Research Mgr. for F. P. Ristine Co.

F. Henry Van Ells has become associated with F. P. Ristine & Company, members of the New York Stock Exchange, as Manager of the Research Department in the New York office, 15 Broad Street. Mr. Van Ells for the past two and a half years has been associated with Blair & Co., Inc., investment bankers, and prior to that was a member of the staff of the "Wall Street Journal" for 12 years, specializing in railroads. He is a graduate of Georgetown University and the Graduate School of Business Administration, Harvard University.

F. P. Ristine & Company, organized 33 years ago, have been members of the New York Stock Exchange for the past 30 years under the same firm name. In addition to New York, offices are maintained in Philadelphia and Elizabeth, Westfield and Ridgewood, New Jersey.

Giger St. Louis Mgr. for E. H. Rollins

ST. LOUIS, MO.—E. H. Rollins & Sons, Inc., announce the appointment of Harold H. Giger as Manager of their St. Louis office. The firm has also moved its offices to new quarters in Suite 605 of the Boatmen's Bank Building.

Mr. Giger is well known in St. Louis financial circles and was formerly President of his own firm, Giger & Co. Before joining E. H. Rollins & Sons, Inc., he was Manager of Selected Investments Company's St. Louis office.

Railroad Securities

Atchison, Topeka & Santa Fe

As compared with the major transcontinental western carriers, Atchison has been the war's greatest beneficiary. Whereas gross revenues in the 30s averaged $150 million and net available for charges around $22 million, gross revenues have risen to well over $500 million in 1944 and net available for charges during the past three years has averaged $70 million with peak earnings of $85.5 million in 1942.

Even before the war Atchison's financial position was considered virtually impregnable, the General 4s being the bellwether of the bond market. At no time in the 30s, with the exception of one year, were fixed charges covered less than 1½ times. The strong financial position of this road was inherited from one of the most drastic reorganizations ever undergone by a Class I railroad. Today financial position of the road is even stronger since during the war period virtually all of the underlying divisional liens have been retired with funded debt $243.7 million as compared with $334.5 million at the close of 1940. Fixed charges in the same period have been reduced from $13.3 million to about $9 million currently.

Capitalization now consists of $151.9 million of General Mortgage 4s and $51.2 million of Adjustment Mortgage 4s, both non-callable, and $7.5 million Convertible Debenture 4s due 1955, callable at 110. Since financial position is very strong with net current assets $49 million as of Feb. 28, 1945, it seems reasonable to anticipate retirement of this issue some time this year.

Summarizing the financial improvement of this carrier in the past 8 years, working capital has increased $2.9 million and funded debt reduced $66.0 million or $68.9 million combined. This is equivalent to 22.2% of funded debt outstanding as of December 31, 1936.

During the same period gross capital expenditures of this system have amounted to $253.3 million, equivalent to $14,686 per equated track mile and $616.3 million for maintenance of track and equipment, equivalent to $35,731 per equated track mile.

No brief summary of Atchison would be complete without emphasizing the complete physical rehabilitation of roadway and equipment. Of the total gross capital improvements recorded probably two-thirds has been expended during the war period and amortized under Certificates of Necessity as emergency facilities for war purposes. In this connection it might be pointed out that Atchison was the first carrier to Dieselize a complete division, 61 of the 5400 h.p. freight engines being installed in the Winslow Division operating over the mountains between Arizona and California. Centralized traffic control has been installed in large segments of this road with more promised during the balance of the war period and the early post-war period. Sizable operating savings should result from the combination of these factors.

Post-war earning power of the Atchison as well as that of most Class I railroads depends largely on economic conditions during the post-war era and the gross revenues which the Class I railroads are destined to obtain. There are, however, two particular developments which are likely to result in gross revenues relatively greater than those of other Class I carriers. The first and most important is the sizable industrial growth of the Pacific Coast area which it serves. Whereas the Pacific Coast area was formerly primarily agricultural the war has transformed it into an important industrial area and a substantial portion of that industrialization is likely to carry over into peacetime. Almost as important for an agricultural carrier such as the Atchison are favorable agricultural prospects. Whereas prior to the war there was a surplus of agricultural produce, there will doubtless be a substantial demand for all of the agricultural produce which can be grown in this and other territory for a series of years following the war. In other words, this carrier will not labor under the handicap of an AAA with its economy of scarcity which policy was so damaging to carriers operating west of the Mississippi.

Assuming gross national income post-war of $125 billion Atchison should have gross revenues of between $275 and $300 million. Assuming an operating ratio of 70%—in 1941 when operating revenues were $225 million operating ratio was 69.72%—post-war earnings should attain levels of $15 per share or more on the present common stock. With finances strong the dividend might, in the event that our forecast be realized, be increased to $8 per share. Atchison is one of the outstanding conservative investment rail equities and offers an exceptionally high yield in the current market—6.3% at current level of 95.

OUR REPORTERS' REPORT

A recapitulation of new financing carried through during May and the first five months this year indicates that the underwriting industry bent its back in an effort to get new issues to market in advance of the Treasury's current War Loan Drive.

That bankers accomplished a real job is best shown by the fact that, despite depleted staffs, underwriters and their dealer organizations were able to market a total of thirty-three bond issues with a value of more than $300 millions, and almost a similar number of new stock issues with a value, at offering prices, of around $120 millions.

Meanwhile a formidable array of secondary offerings were brought to market and distribution completed. Operations set a thirteen-year record for the month even though the business handled was substantially less than in April.

For the five months to May 31, bankers brought to market more than 110 new bond issues having a value of upwards of 1.7 billions, making it the heaviest for any comparable period since 1936.

In addition to bond offerings the industry handled some ninety stock issues with a value at offering prices of upwards of $275,000,000. All in all the bankers had little to complain about beyond the fact that severely cropped working forces offered something of a handicap.

Corporate Front Quiet

Investment interests were not even given much to gossiping this week as all hands turned to on the War Loan. Except for sales of tax exempts by a few institutions, and those for the purpose of raising funds for the purchase of the new Treasuries, there was hardly a ripple in the new issue market.

As a matter of fact there are widespread indications that many active traders, who seldom get far away from their desks in the ordinary course of events, are pulling away early these days and getting around to see prospective clients for the Seventh War Loan.

Plans New Preferred

Panhandle Eastern Pipe Line Co.'s announcement of plans to retire its $14,387,220 of 5.6% preferred stock brought another prospective issue into sight for July marketing.

The company will ask shareholders to amend the certificate of incorporation, at a special meeting July 6, next to authorize a new preferred stock issue of 150,000 shares of $100 par.

It is calculated that sale of the new shares, after costs, would yield the company slightly more than the amount needed to retire the outstanding stock.

Delaware & Hudson

With stockholders voting today on the projected merger of Albany & Susquehanna R.R. now operated under lease, into Delaware & Hudson, it is expected that the latter soon will take up for consideration the job of refinancing its funded debt.

Aside from making for substantial interest savings, such an operation, it is expected, would be so arranged as to relieve the D & H of its obligation to dispose of its holdings of New York Central by May 1, next year, as provided for under terms of the bond extension plan worked out in 1943.

Bartow Leeds Co. Is Formed in New York

Formation of Bartow Leeds Co. to deal in United States Government securities, and State and municipal bonds, is announced by Francis D. Bartow, Jr. and Donald D. Leeds. The new firm will clear through J. P. Morgan & Co. Incorporated.

Mr. Bartow has been associated with the Discount Corporation of New York since 1931. Four years later he was elected Assistant Secretary-Assistant Treasurer and in 1938 was elected Secretary, resigning last month to form the new partenrship. He is a graduate of Phillips Exeter Academy, Class of 1927, and Williams College, Class of 1931.

Mr. Leeds started his business career with the Importers and Traders National Bank in 1922 and two years later entered the employ of the Discount Corporation. He was elected Assistant Treasurer in 1939 and Assistant Vice-President in 1943. For the past three years he was the Discount Corporation's head bond trader.

Carroll Ward will be Manager of the Municipal Department. Mr. Ward was formerly a partner in F. P. Long & Co. and Hoit, Rose & Troster. Offices of Bartow Leeds Co. will be at 57 William Street, New York.

Financing Small Business Joint Work of Government and Banks

(Continued from page 2502)

in making small business loans because the risk involved is spread amongst a group instead of concentrated in one bank.

I do not believe that any one group can cure the financial problems of small business. It needs the considered efforts of the Government and private organizations working in close harmony. With this thought in mind RFC is endeavoring to support the banks of the country in a program of sound long-term credit, particularly to small business on terms as favorable as those enjoyed by big business. The Directors of RFC realize that long-term credit must be extended to deserving small enterprises that possibly heretofore have been unable to obtain such credit, so for months past they have been endeavoring to find a basis upon which to assure industry, particularly small industry, of the availability of sufficient long-term credit to convert effectively to peacetime production and to assist in the post-war economy. However, RFC wanted this credit to be made available to business if possible through the usual credit sources.

During the period following the termination of the war, private initiative and free enterprise will be required to absorb the shock of returning to peacetime economy. Small business, I believe, will play a major part in this economy. RFC will do all in its power to preserve and to augment the thousands of small businesses throughout the country.

I doubt whether any one is in a position to state what amount of credit will be needed in the transition period by either small or large business. The Directors of RFC, from past experience, believe that there may be an unprecedented volume of applications for business loans during and subsequent to the period of reconversion and for early peacetime production.

It was on this premise that RFC's Blanket Participation Agreement was authorized. Under this program a bank may enter into an overall automatic agreement with RFC, to make loans not to exceed $250,000 to a borrower, up to a ten-year period, with RFC insuring up to 75% of the risk. This agreement permits banks to make loans thereunder, subject only to a few conditions (solvency, collateral, and salaries), according to their own judgment and without requiring initial approval by RFC (except as to salaries paid by the borrower which is a requirement of the RFC Act). In other words the entire responsibility, with respect to approving and servicing these business loans, rests with banks. With this agreement you can see that we show our complete confidence in banks, which is as it should be. This program ought to be attractive to all banks. The effect of the agreement is to permit banks to make loans in excess of their loan limit and to take more risk than they would ordinarily take.

This new RFC program should be the means of assuring business that long-term credit is available, through banks, for peacetime production. And it is hoped that it will also encourage private banking to assist in creating and developing new commercial and industrial enterprise after the war.

One of the principal results of this Blanket Participation Agreement, in our opinion, will be to encourage maximum employment.

In addition to the Blanket Participation Agreement just mentioned, RFC will continue its program of making secured loans directly to business enterprises where banks do not find it possible to supply the needed credit.

RFC has also announced that in order to be of practical assistance to industry in war production and at the same time assure manufacturers of contract termination and reconversion assistance, it was ready to supplement its present type of business loan by making loans sufficiently flexible to provide working capital not only for war contracts and subcontracts, but also for civilian orders and at the same time to include in such commitments contract termination interim financing. In addition RFC also announced that loans and guarantees under the Contract Settlement Act of 1944 would be made.

Because of the magnitude of RFC's operation, many believe that the Corporation deals primarily in large loans, that it helps only big business. The record of RFC clearly indicates the contrary to be the fact. It is the small businesses which have been most often assisted. What RFC is doing and is prepared to do for small businesses is not generally known. Over 20,000 loans of $100,000 or under have been authorized by it to small business. And the Directors of RFC realize that their responsibility for providing financial assistance to small business in the post-war period will possibly be greater than ever before. With its broad powers and flexible organization, RFC is in a position to adopt new programs to meet new conditions and problems with which industry and business may be faced.

It is not only during the period of loan consideration that the Corporation's staff renders valuable aid to an applicant. After loans are made every talent of the Corporation is available to both small and large borrowers and it is during the administrative period of a loan that an advisory service, if requested, is available that may often prevent recurrence of unfavorable experiences. Many borrowers have advised us that such services and cooperation during the life of the loan have been most valuable to them.

Briefly, RFC with or without bank participation is prepared to exercise its powers and use its facilities whenever and wherever needed to:

(1) Make loans against terminated contracts and subcontracts for the purpose of making funds available for other war production;

(2) Make loans for civilian production, and for reconversion and other purposes;

(3) Finance plant and equipment reconversion, to finance new equipment and plant purchases and to finance surplus property and surplus equipment purchases;

(4) Make business loans to returning veterans under its own veterans loan program, and to perform its present functions as well as others which the Veterans Administration may request under the Servicemen's Readjustment Business Loan Program; and

(5) Make commitments now for future loans so that industry may proceed with plans for rehabilitation and reconversion.

In summarizing, it is my opinion that together banks and RFC can solve the financial problems of small businesses which are capable of and entitled to solution during the reconversion and post-war periods.

Condemns Refusal of South American Countries to Pay External Obligations

Says in Many Countries, Especially Brazil, Business Is Booming

Editor, Commercial and Financial Chronicle:

The writer, sole proprietor of the firm of Sloan & Wilcox, recently returned from a two months tour of South America, traveling by air down the West Coast of Santiago, Chile, then to Buenos Aires and up the East Coast, visiting all countries except Paraguay and Venezuela.

The firm has been active in the distribution of South American bonds. The purpose of my trip was to obtain first hand information regarding business conditions in the various countries. In visiting the stock exchanges in the different countries, I noted that in many cases their internal bonds were paying full interest and selling at prices close to par, while the external bonds were paying but a minor portion of their interest and in some cases none at all. In the plans that have been proposed to holders of bonds of various South American countries, they have asked as much as a 50% reduction in the principal amount plus a heavy interest reduction. After seeing the business conditions in many of these countries, especially in Brazil where business is booming, it is rather difficult to convince one's self as to why these plans should be accepted.

The American bond holder who invested his money in good faith in South American securities should not be asked to take such a substantial reduction on his investments.

DONALD C. SLOAN

Portland, Oregon

May 26, 1945.

Subsidy Bill Passed, Returned to Senate

The subsidy program for meat, butter, flour petroleum and strategic metals, which would have expired June 30, is to be extended for an additional year under legislation which the House passed and returned to the Senate, according to an Associated Press dispatch from Washington, May 28.

The amounts authorized were: Meat, $595 million, an increase of $35 million over the figure approved by the Senate; butter, $100 million; flour, $190 million; petroleum and petroleum products, $290 million; copper, lead and zinc, $88 million; miscellaneous strategic materials, $100 million; materials and commodities produced outside the United States, $80 million; and rubber and rubber products produced outside the United States, $60 million.

The entire program is handled by the Reconstruction Finance Corp. and its subsidiaries.

The House struck from the bill a Senate requirement that premiums on copper, lead and zinc may not be cancelled during the life of the legislation.

It added a new section relieving slaughterers of liability for the refund of subsidies to which they were not entitled, provided the Director of Economic Stabilization determines that the recipient acted in good faith.

Richard W. Wagner With Coburn & Middlebrook

Richard W. Wagner has become associated with Coburn & Middlebrook, 1 Wall Street, New York City. Mr. Wagner was formerly with J. Arthur Warner & Co. and in the past was an officer of Wagner & Workmaster.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

The feature of the government bond market is the sharp demand for the taxable 2½s due 1967/72. . . . The belated recognition of the appreciation possibilities in this bond carried market prices of this issue to new all-time high levels. . . . Despite the advance that has already taken place in this obligation, it is still the highest yielding long-term taxable issue that can be bought by the commercial banks. . . .

Accordingly, recommendations are being made to these institutions that they continue to confine their commitments in the long-term taxable obligations to the 2¾s due 1967/72. . . .

It is still the opinion of astute followers of the government bond market that this issue will eventually reach levels of between 106½ and 107. . . .

RESTRICTEDS ON MARCH

A good demand was in evidence for the restricted issues with the 2¼s due 1956/59 again moving into new all-time high ground. . . . It was reported that the savings banks were still letting out the shorter maturities of the 2s with the proceeds being invested largely in the restricted 2¼s. . . .

The insurance companies were reported to be buyers of the restricted 2¼s and 2½s with the funds obtained from the sale of municipals and partially tax-exempt Government bonds. . . .

SWITCHING

Considerable switching and portfolio rearrangement is going on, with indications that there is selling of the 2s due 1949/51 and the 2s due 1950/52 because of their vulnerability to the new 5½ year 1½s. . . . The proceeds from the sale of these securities are being put to work in the 2s due 1951/53, the 2s due 1952/54 and the 2½s due 1967/72. . . .

Other exchanges reported were out of the 2½s due 1952/54, the 2¼s due 1952/55, and the 2½s due 1956/58, into the 2½s due 1967/72. . . .

The trend in Government security purchases is still toward the longer maturities with the larger income. . . .

WHAT THEY LIKE

In order that institutions which contemplate moving out of the shorter maturities or have new funds to invest, may get the benefits of the ideas of the large bank portfolio managers, a list of the issues that these experts consider attractive at this time, has been made available to the out-of-town banks. . . .

The securities favored in the intermediate maturities, are the 2s due 1951/53, and the 2s due 1952/54. . . . The only long-term issue advised is the 2½s of 1967/72. . . .

The sale of the 2½s of 1956/58 with the funds to be invested in the 2½s due 1967/72 is still being advised by most of the portfolio managers. . . . It is indicated that individuals are selling a few of their restricted 2½s to use the funds to buy the 2¼s and 2½s being offered in the drive. . . . The profit is available to holders of the old outstanding restricted issues and individuals are taking them down at these levels. . . .

CAUTIOUS

The absence of selling by insurance companies in the 2½s, who are reluctant to let out these bonds, because of the fear that if they do, they will get no more of them, has kept the market steady to better on these obligations. . . .

It is not expected that prices of the restricted bonds will be under much pressure unless there is selling by the largest holders of the bonds, the insurance companies. . . .

PARTIAL EXEMPTS

A further increase in the floating supply of the partially exempt issues is indicated. . . . It is reported that the insurance companies will continue to let out these bonds, with the proceeds being reinvested in the outstanding restricted issues or the drive obligations. . . . This will be the extent of the "normal portfolio adjustments" by these institutions during the Seventh War Loan. . . . Certain of the intermediate maturities of these bonds do not give as large a "tax free yield" as do the taxable issues. . . . This resulted in some selling of the middle term partially exempts to bring them in line with the taxable issues. . . . The last four maturities of the partially exempts are considered the most attractive obligations in this group. . . .

Based on that fact institutions that needed tax shelter came into the market the early part of the week, and pushed the prices on these four issues up three to four-thirty seconds. . . .

LARGER "FREE" YIELD

The 2¾s due 1960/65 is the bond considered the most attractive of the last four maturities of the partially exempts. . . . It was pointed out that the "tax free yield" on this obligation is still in excess of that available in the longest taxable, the 2½s due 1967/72. . . . Over a period of time the "tax free" yield of the partially exempt and the taxable issue tend to equalize. . . . This would mean higher prices for the 2¾s due 1960/65. Also the 2¾s due 1960/65 has a maturity advantage of seven years over the taxable 2½s due 1967/72, and this should entitle the partially exempt obligation to sell on a lower "tax free yield" than the longer taxable bond. . . .

WISHFUL THINKING?

There is considerable talk to the effect that the Treasury may lift the restrictions, in the next year or two, on the 2½s so that the commercial banks can buy them. . . . Some traders believe that this talk has resulted in buying of the restricted issues by those who are in a position to do so. . . . The Treasury, which has such complete control over the money markets and wants to finance the deficit at as low a cost as possible, would not derive any direct benefits from such change in procedure. . . .

Since the Government will most likely issue only low coupon short term securities to the commercial banks in financing the deficit in order to keep down bank earnings, there seems to be very little logic to this talk of a near future change in the restrictions of the 2½% bonds. . . .

F. Eberstadt Urges Overhauling of Securities Act As Aid to Post-War Business and Employment

(Continued from first page)

that we have yet achieved in this country, we will also need a volume of private investment beyond anything heretofore reached. Otherwise government will have to furnish the necessary funds at the cost of the taxpayers.

In addition to its stimulating contribution to post-war business and employment, an active private investment market can make a further very substantial contribution to our national economy through furnishing from private sources, a large amount of the funds necessary to purchase surplus government owed war plants and equipment, with resulting reduction of our governmental deficit to the considerable benefit of the taxpayers.

How high the total volume of post-war investment will be is a matter of opinion. The differences amongst authorities is considerable. A recent release of the Securities and Exchange Commission seems to indicate that, in their opinion, business will not need substantial additional funds. A more recent report of the 20th Century Fund indicates that requirements may run as high as 28 billion dollars per annum. In 1929 the total of corporate flotations amounted to over 10 billion dollars and the average for 10 years preceding amounted to over 5 billions per annum. The largest amount of corporate flotations since 1933, when the SEC was established, was $4,600,000,000 in 1936. Not all of this, of course, needed to be registered with the SEC. The average amount of flotations for the years 1934 to 1944, inclusive, was 2.2 billions. There is more than a mere coincidence between volume of investment and degree of employment.

Adopting the relationship between flotations in 1929 and the gross national product that year, if we are to have a gross national product of 160 billions in the post-war years, we can expect flotations of around 16 billions per annum. A large part of such flotations will require registration under the Securities Act of 1933. The largest amount of new issues registered with the SEC was slightly under 4 billions in the year 1936. If the issues to be registered with the SEC during the post-war years amount to 16 billions per annum, they will approximately equal the total amount of the registrations with the SEC during the 10 years from 1935 to 1944, inclusive. I question the ability of the present mechanism to carry this burden.

There will unquestionably be a strong demand for investment funds to reduce costs through refunding, to convert plants from war to peacetime uses, to increase efficiency through new plants, equipment, and installations; to start new businesses and to expand present ones—to say nothing of the demand for funds from abroad, the importance and probable magnitude of which has been referred to in your reports.

There is already considerable evidence of a strong and growing demand for such funds on the part of business, large and small. Its outstanding performance during the war, has restored the confidence of American business, which was badly shaken during the depression and the years that followed. Business men are now more eager than ever to go ahead, armed not only with greater technical knowledge but also with a fuller realization that enlighteed social and labor policies are good business. Industrialists generally realize that if we are to have sustained good business, they must pay good wages, must constantly reduce their costs and must sell a constantly improved product at decreasing prices to the consumer. This process requires the efficient use of large amounts of capital—an art in which Americans excel.

On the other hand, there is no doubt of the existence of tremendous funds in private hands eager for productive private investment. In the 25 years that I have been connected with this business, I have never seen anything like it, not even in 1929.

However, in spite of the tremendous amount of capital which is available and the great need and desire of business to obtain and use it, the union of these two will not come about in the desired measure if there remain serious obstacles to the transfer of this private capital to business enterprises.

Under the laws now on our statute books, the major portion of private investment is subject to the provisions of the Securities Act of 1933, as amended. This is one of the four principal statutes administered by the Securities and Exchange Commission, the other three being the Securities Exchange Act of 1934, the Public Utility Holding Company Act of 1935, and the Investment Company Act of 1940. All of these Acts affect private investment. The oldest has been on the books for 12 years, the shortest for about 5 years. Thus considerable experience in their operation has been obtained by the SEC, by the investment banking fraternity and by business. The results of experience over these years are available to your Committee.

The importance of active private investment markets in relation to post-war business and employment, is such as, in my opinion, to justify a thorough examination by your Committee of these statutes and the practices, rules and regulations adopted by the SEC pursuant thereto with a view to keeping that portion which is sound and constructive and to eliminating that portion which is unnecessarily obstructive, cumbersome, dilatory, and expensive.

I would like to make it very clear that I am not suggesting the repeal of all or any of these Acts. In my opinion if the investment banking fraternity were faced with the alternative of the Acts as they are or repeal in toto, I believe that they would prefer the former. But those are not the only alternatives. The constructive course, it seems to me, is to review these Acts and their administration in the light of experience, looking not to their elimination but to their improvement.

Nor do I suggest that the penalties for malfeasance be lightened. On the contrary, I see no objection to maintaining or even increasing their severity where fraud or other malfeasance is clearly present.

I do, however, question the wisdom of handicapping our post-war recovery by retaining unnecessary burdens of time, work and expense upon the great majority of business people, large and small, who approach the private investment capital market with no sinister purpose but solely in response to their understandable ambition to start or to expand legitimate enterprises for the benefit of themselves, their families, their workers, and their customers.

You have invited attention to the importance of foreign loans. This is a long story but I hazard the guess that no substantial amount of private foreign loans is likely to pass through the fine mesh of the filter of present laws and regulations. Our own people may have to continue to follow the present complicated and intricate procedures in order to get private capital, but the foreign borrower will prefer the simpler procedures of the London market.

Our firm was one of the very first to accept this legislation in good grace and to act under it. During the 12 years since 1933, we have handled issues under these Acts running into many millions for a wide variety of companies, mostly of moderate size. Our relations with the members of the Commission and its staff have been excellent. At no time have we had cause to complain about their attitude nor, I am happy to be able to state, have they ever directed complaint of any sort at us. I say that in order to remove any suspicion that we have even the slightest grievance toward the Commission. Exactly the contrary is true. Far from bearing resentment, we are grateful for many helpful accommodations which they have extended to us. I am not criticizing the attitude of the umpire. I am suggesting that the rules of the game as they now exist and are administered offer a threat to obtaining the volume of business and employment which, next to military victory, seems to be the thing that our people most ardently desire.

I fear that it will not be possible to clear the tremendous volume of private investment which will be necessary to support the volume of employment which we want, through the statutes and administrative procedures which now exist. It is for that reason, that I have taken the liberty of suggesting to this Committee that you examine thoroughly not only the four Acts themselves, but the

rules, regulations, procedures, and forms through which these Acts are being administered.

No one questions the importance of full disclosure of material facts and adequate protection to the investor. But I doubt that there is any general desire to carry this laudable objective to such a quixotic point that in attempting to protect the investor from any possible loss of money, we unintentionally hinder the raising of capital to the point of preventing thousands from finding productive employment.

I think that the results of such an investigation will disclose, at least so far as the Securities Act of 1933 is concerned, that the statutes are unduly restrictive, involved, and unclear, that procedures thereunder are unnecessarily expensive, dilatory, and redundant, and that without sacrificing in any respect—I might say even strengthening — the basic purpose of these Acts, their language and administration can be greatly simplified.

I do not now wish to take the time of the Committee by going into the multitude of detail and technical questions involved in such an examination, but I would like to point out that in our experience it has not been possible to register a new issue without expenses running into many thousands of dollars. In our own issues, costs to the companies have usually run between $20,000 and $50,000 per issue. These are not large but moderate sized issues. Simplification of the registration procedures would not, of course, eliminate all expenses but it could reduce them substantially. It has not proven possible to complete an issue of securities in less than 60 to 90 days. It requires the full time of a staff of lawyers, accountants, and usually some other experts. Frequently there are many trips to Philadelphia. That is no particular inconvenience for bankers located in New York City, but it must constitute a considerable burden to companies located in the Midwest, on the West Coast, or in the Southwest.

It has always seem to me painting the lily a bit that a company whose securities have been listed and traded on a national stock exchange for many years and about which the fullest information is readily available, should be required to duplicate all of this information in the form of an elaborate registration statement and prospectus if it desires to make a public offering of new securities.

A paricularly striking situation exists where such a company wants to increase the amount of an issue already outstanding, listed and traded in daily. Under these circumstances that portion of the issue which is listed can be bought and sold with no particular formalities, while dealings in the new issue, with identically the same rights and provisions, must be supported by a registration statement and prospectus. It is difficult to see why one class of purchaser needs so much more protection than the other.

I have wondered why it should be necessary for a company which has once registered, to duplicate practically the entire registration on a subsequent registration. The printing costs alone of these documents runs into many thousands of dollars.

As you know, in addition to the Federal SEC, many states have their own separate State SECs. In order to be eligible for interstate sale, most substantial issues must also be presented for scrutiny by the so-called Blue Sky Commissions of the states where the securities are to be sold.

This means more time, more expense, more work. Here again, I do not want to criticize the state authorities. We have found them competent and reasonable. That's not the point. The point is that here is just one more obstacle.

I have wondered why, instead of concurrent jurisdiction, the SEC and the Blue Sky authorities should not divide the field, the state Commissions retaining jurisdiction in issues, say up to $1,000,000 and accepting the Federal SEC in issues above that.

The Registration Statement and Prospectus in their present form are so complicated that certainly the average man cannot understand them, and even professionals in the business have considerable difficulty in extracting the salient information. They are, I think, read by few and understood by less.

To big business, all this red tape is chiefly a nuisance and expense. They have or can hire lawyers, accountants, and experts of all sorts. They don't enjoy it, but they can take it if they have to. Furthermore, they are frequently able to circumvent the burdens of registration by private placement. But to smaller and particularly to new companies, these burdens constitute a serious obstacle to obtaining capital. Similarly, the large Wall Street investment banker can get along after a fashion, but the small local underwriter simply can't make the grade. Local investment capital markets have practically disappeared. The consequences of this to small business may be quite serious. When a local investment house gets a financing deal, it is practically compelled to bring it to Wall Street, because the local dealer, generally speaking, has neither the technical knowledge nor the expert assistance required to accomplish the major feat of registration.

I have taken the liberty of delivering to you copies of what I think to be average Registration Statements and Prospectuses. I am not giving you the host of exhibits which usually accompany the filing of these documents. In support of my statements, I ask that you undertake the task of reading these documents, realizing that they are required in the case of every substantial issue, and then conclude on your own part whether or not they are a stimulant to private investment markets. In contrast, I also deliver to you a few copies of British prospectuses.

If, after such study, you are still not convinced, I would like to direct your attention to the mass of SEC regulations, bulletins, forms and releases, none of which is distinguished for brevity, clarity or simplicity and all of which to a greater or less degree affect private investment. In aggregate they constitute a formidable monument equalled, so far as I know, only by the rules, regulations and forms of our income tax.

As the statutes now exist, I believe that Congress has conferred upon the SEC tremendous power over American business. The power to influence the flow of private investment is the power not only to influence the level of business and employment but to affect the very nature of our economic system. For the most part I believe that the Commission has used this power moderately and constructively, but I feel that any laws of this magnitude which at the time of their enactment constituted a major departure in our business and economic policy, should be reviewed by Congress in the light of experience.

The suggestion that I make is not a new one. Efforts have been made over the past years to improve the situation. Bills have been introduced into Congress. Some effecting minor ameliorations have, in fact, been passed. The SEC and representatives of the investment banking fraternity have spent long days and weeks in conference in a not very successful effort to agree on the desirability of certain amendments of rather limited importance. I see no hope of progress along these lines. Never, so far as I know, since this legislation was passed, has the whole field been looked over carefully, scrutinizingly, and constructively by a Congressional Committee. It seems to me that this is a particularly significant time to undertake this task and that your Committee has an unusual opportunity to do a very constructive job.

I would not wish to give the impression that such a review would be either easy or simple. On the contrary it would be a difficult and involved investigation. But I think the results would fully justify the time and effort so spent.

Before closing I would like to repeat that I don't want to give the impression that an active private investment market is the only or even the most important stimulant to post-war business. The effect of the income tax laws, particularly in the case of small and new ventures, is very important. I simply want to point out that the Securities Acts themselves and equally the method of their administration, are facts of major importance to our post-war business and employment picture.

If, as a result of such examination, your Committee is able to recommend changes which, while not reducing protection to the investor, will result in stimulating the flow of private investment capital, I believe you will have performed a signal service alike to business and labor, for which both will be duly appreciative.

TVA Replies to Mr. Abrams

(Continued from page 2503)

investment of $357,000,000 in the fiscal year.

Mr. Abrams has charged against power revenues interest on all TVA appropriations, for any purpose whatever, and has subtracted from power net income the net expense of all other activities of TVA, including navigation, flood control, forestry and reforestation, experimental production of new and improved fertilizers, agricultural and industrial development activities, and research in such fields as forest products, minerals, and agricultural engineering.

The impropriety of Mr. Abrams' stratagems is apparent. TVA activities other than power are governmental functions which are expected to pay for themselves in terms of public security and well-being, not in cash. Such activities are not charged directly and solely against the electric consumers of other areas where the government provides such services. There is no more justification for the power consumers of the Tennessee Valley region to be charged with such costs any more than for those of St. Paul, Minnesota, Cincinnati, Ohio, or Birmingham, Alabama, to be charged directly and solely with the costs of navigation improvements on the upper Mississippi, Ohio, and Warrior Rivers, or the costs of the activities of the U. S. Department of Agriculture in the adjacent areas.

Having by these devices produced a "loss," Mr. Abrams objects that TVA power operations pay no federal taxes. The fact is, of course, that the TVA power operations provide the Federal Government with a substantial surplus which, whether or not it is labeled "taxes," is available for federal use in the same manner as taxes. These surpluses have been reinvested under the direction of Congress in new facilities to produce electric power for war purposes and have reduced the amount of new appropriations needed in the equivalent amounts.

The fact is that the surplus, or net inome, from power operations in the fiscal year 1944 was sufficiently large to provide interest at 2% on the average net power investment (the interest cost of money to the Federal Government is less than 2%) and still leave a margin amounting to nearly 22% of gross revenues. In comparison, federal taxes of utility companies in 1944, according to the Edison Electric Institute, amounted to 15.8% of operating revenues, of which $210,000,000, or more than 7% of operating revenues, was accounted for by excess profits taxes. As you doubtless are aware, a number of state regulatory commissions, disturbed by rapidly mounting excess profits taxes, have commenced actions to recover at least some of the money represented by these taxes for the benefit of the consumers who, under existing rate schedules, are being made to pay a dollar in order that utilities may net as little as an additional nickel.

May 31st, 1945

Tennessee Valley Authority
W. L. STURDEVANT
Director of Information

Post-War Opportunity In Canada Measured

Reconversion of Canadian industry will require the transfer of over half of the Canadian economic system to a civilian basis, says the monthly letter of The Canadian Bank of Commerce. Canadian productivity increased by about one-third in the five years of war in Europe and brought many changes, which, with the gradual decline in war production that is expected from now on, presents great opportunities for utilizing new productive facilities and new skills with a consequent upward surge in peacetime activity and employment. The present productive system, aided by the same united effort as made possible Canada's splendid war record, says the letter, could fully employ the actual working population of the country, 4½ million people, and could provide civilian goods and services of about $5 billions, or more than are now available.

Until Japan is erased, however, Canada will continue to produce for the war against Japan "on a high scale," while also helping to supply the forces of occupation in Germany on a greater scale and for a longer period than had previously been considered necessary, asserts the bank.

McKim Asst. to Farrell at City Nat'l Bank

KANSAS CITY, MO.—Jim McKim, who has been in the bond business in Kansas City since 1927, has joined F. D. Farrell, Vice-President of the City National Bank and Trust Company of Kansas City, Missouri, and head of its Bond Department, as his assistant. Mr. McKim will be in charge of the buying work of the bank's bond department. Mr. McKim is a native Missourian and has been a resident of Kansas City for 20 years.

Canadian Securities

By BRUCE WILLIAMS

It has been evident for some time, as emphasized in this column, that political observers here have greatly exaggerated the importance of the C.C.F. movement in Canada. This movement which reached its peak following spectacular C.C.F. successes in Ontario and Saskatchewan has since steadily waned. Clear confirmation of this fact is now provided by the complete rout of C.C.F. candidates in this week's Ontario elections.

What will be the effect of this Progressive Conservative triumph and C.C.F. disaster on next week's Federal elections? The probable repercussions are likely to be the following:

1. **Faced with an apparent resurgence of Conservative strength the Quebec Liberals should close the ranks and tend to unite behind MacKenzie King.**
2. **C.C.F. waverers and dissident Liberals who previously cast protest votes in favor of the Socialistic party should return to the Liberal fold.**
3. **The undecided section of the electorate with a last impression of an apparent swing towards the right should gravitate towards the Conservative camp.**

The final analysis, therefore, still supports previous predictions that the C.C.F. strength will prove to have been considerably overrated, and the Liberals, with Quebec having little alternative but to give them the customary solid support, and some strength in all other sections of the country, should emerge as the majority party. Moreover, if the Progressive Conservatives supply the official opposition and the C.C.F. threat is definitely removed, Canada will be equipped with the political machinery best suited to enable its economy to function to the best advantage, and will have effectively demonstrated the fundamentally sound political mentality of the Canadian people.

Turning to the market for the past week, the external section once more displayed little animation. High grades were inactive and a little off their best levels. There was renewed interest in Montreal and Saskatchewans also met with some demand. Albertas were dull following profittaking and some uncertainty regarding the financing of the debt refunding plan.

Internals were active and buoyant with Canadian Pacific stock the center of attention. Although the price has doubled since the resumption of dividends this stock still has interesting possibilities. The Canadian Pacific Railway is more than a railroad. Its ramifications extend throughout the Canadian economic structure, and its 51% ownership of Consolidated Mining and Smelting alone has far-reaching possibilities.

There was also a considerable turnover in gold shares as a result of continued successful drilling operations. The tremendous development of Canadian gold mines which is due to take place in the post-war period should lead to recourse to this market on a large scale for financing operations. Thus it is likely that the Canadian gold mining section of the New York Stock Exchange will in time rival the "Kaffir" section of the London market.

Turning to the possible future course of the market, favorable political developments are likely to maintain the high grades, but at these peak levels and with the supply scarcity little increase in activity is to be expected. There still appears scope for profitable movement, however, in Saskatchewans and Montreals, and as soon as the political horizon is clear, Dominion of Canada internal bonds should prove decidedly attractive.

Flag Day Proclamation

In proclaiming June 14 as Flag Day, President Truman asked that it be observed with "a fresh sense of our strength as a nation", the Associated Press reported from Washington May 28, and added that the President continued by asserting that "solemnly, we accept the responsibilities placed upon us by our power.

"We honor the men and women in the armed services and in the factories and homes who, with God's help, have given us our victories. We face the battle ahead with solemn gratitude for the triumphs of the past.

"Our flag has accompanied our fighting men on a hundred battlefields. It flies beyond the seas over the friendly lands our arms have freed, and over the hostile countries our arms have conquered. Our flag will be planted in the heart of the empire of our last remaining enemy."

McCarty in Lubbock

LUBBOCK, TEX.—M. W. McCarty is engaging in a securities business acting as dealer-broker from offices in the Leader Building.

Bank of Montreal Notes Tax Changes After V-E

In its Business Summary of May 23 the Bank of Montreal, while making mention of the fact that "the final and complete victory of the Allies in the European war theatre has enabled the Dominion Government to effect an immediate, if only partial, easement of restrictions upon the production of commodities for civilian use" noted however that "so long as the war against Japan continues, there can be no complete reconversion of Canadian industry," but that nevertheless "wide spread and progressive changes are now possible."

Stating that "certain taxes imposed for purely war-time needs have been lowered or discontinued," the bank went on to say:

"The special tax of 25% on household gas and electric appliances has been removed; the special excise levy on passenger automobiles has been reduced from a graduated scale ranging from 25% to 80% to a flat 10%; the excise tax on radios, phonographs and cameras has been reduced from 25% to 10%; the sales tax on building materials (discontinued before the war and reimposed in 1941) has been removed; and the war exchange tax, imposed for temporary purposes in 1940, has been rescinded in so far as it applied to producers' machinery and equipment and to building materials.

"General tax changes must await action by the new Parliament to be elected next month, but the Finance Minister is acting now, within his powers, for the expressed purpose of encouraging and facilitating the rapid resumption of production for the home and export markets and the expansion of employment in housebuilding and non-war industry. An increase in the supply of building materials and the expansion and modernization of industry are contemplated and 'the Government will bend every effort to achieving to the full the housing programme which has been announced.'" The bank in part further said:

"In line with this policy, control agencies have been instructed to remove or relax restrictions as soon as conditions warrant, while maintaining those controls that are necessary where acute scarcity threatens the continuing war programme or essential civilian supply. Under conditions of inadequate supply, controls are to be so exercised as to facilitate the use of manpower, materials and productive facilities for such approved purposes as the rehabilitation of liberated countries, the reestablishment and expansion of non-war exports, the reconversion and expansion of industry, the reequipment of agriculture and other primary industries, the housing programme and an increase in the output of consumer goods."

Canadian Crop Report

The crop season is two to three weeks late in nearly all sections of Canada owing to recent cold weather, according to the current crop report of Bank of Montreal. During the last month rains have been excessive from eastern Ontario to the Atlantic, while to the west moisture conditions now vary from an over-abundance in the Red River area to deficient subsoil reserves in portions of Saskatchewan and Alberta.

Wheat seeding is nearing completion in the Prairie Provinces and the sowing of coarse grains is well under way in Alberta and Saskatchewan. In Manitoba, operations have not been as rapid, but they are now progressing under more favorable weather conditions.

Quarter Century

Thomas I. Parkinson on June 1 marked his 25th anniversary with The Equitable Life Assurance Society of the United States, which he has headed as President since 1927.

T. I. Parkinson

The event was celebrated by a dinner in his honor at the Waldorf-Astoria, attended by some 300 employees and officers who themselves have been with The Equitable a quarter century or longer.

Envoy to Peru

President Truman has nominated for the post of Ambassador to Peru William D. Pawley, of Miami, Fla., to succeed John Campbell whose retirement after thirty years in foreign service has been approved by the President.

Pawley, an aviation pioneer in China, Cuba and India, organized the Flying Tigers, the American Volunteer Group in China. He is a former president of the Intercontinent Corporation, which organized the first commercial aviation company in Cuba, which later was sold to Pan American.

He went to China in 1933 to reorganize the China National Aviation Corporation, which was the first air line to operate in China. He organized the company that built the first airplane factory in China in 1934 and negotiated a contract in 1939 for India to build its first aircraft company, which was taken over in 1943 by the 16th Air Force as a maintenance base.

Washington Pondering Speculation Controls

(Continued from page 2503)

porters in the Administration.

The newspaper stories have been correct as to the general nature of the measures under consideration, although less accurate in the specific margin percentages they have been mentioning. The Board of Economic Stabilization, which advises the OES, is very sympathetic to the idea that something needs to be done, and some recommendation from it is sure to be forthcoming quite soon. Stabilization Director William H. Davis, who is temporarily out of town, reports directly to the White House. Government lawyers are at present working to put the program into legal form.

It is noteworthy, and not generally appreciated, that the Board of Economic Stabilization is unanimous in the opinion that some action is necessary to deal with the problem of rising capital values. The Board includes, in addition to Mr. Davis, Secretary of the Treasury Morgenthau, Secretary of Agriculture Anderson, Secretary of Commerce Wallace, Secretary of Labor Schwellenbach, the heads of the Budget Bureau, OPA, War Labor Board, War Manpower Commission, the SEC, War Food Administration, Federal Loan Agency, National Housing Administration, and the following: William Green of the A. F. of L., Philip Murray of the CIO, Edward A. O'Neal of the American Farm Bureau Federation, James G. Patton of the National Farmers Union, and George Mead of the Mead Corp.

Apart from the advice of the above Board, the OES has for consideration recommendations of the SEC, the Federal Reserve Board, the Budget Bureau, etc.

While it seems certain that Mr. Davis will soon have some recommendations ready for President Truman to consider, what the President will do is not so clear. One hears various views expressed in Washington.

One Official's Views

One informed official with whom the writer discussed the problem, while not wishing to make a prediction, none the less expressed the view that probably nothing will be done to curb capital gains "at this late date." The time to do this was early in the war, whereas now there is a general disposition to hesitate about putting on more Government controls, he stated. Moreover, considerable price rises have already occurred, and "to clamp down now would be, to some extent, a case of closing the stable door after the horse had been stolen." This is not to say that there are not good arguments for doing something even now, he added. Some people feel that, when wages and other prices are being controlled officially, gains from speculation in stocks and real estate should not be permitted to go on as at present. Another aspect of the problem is that capital values may become so inflated that their later return to more justifiable levels might be a very troublesome matter.

Views differ as to how inflated stock prices now are. In any case, it seems always possible that speculative fever might take hold and drive the stock market to boom proportions. Officials note there has been some evidence of speculation. The amount of dollar borrowings of brokers, "customers' debit balances," has been growing. According to the Federal Reserve Bulletin, these debit balances were only $493,000,000 in June, 1942, an estimated $780,000,000 in April, 1944, and $1,034,000,000 in March, 1945. The figures are not regarded as alarming in themselves, but they are viewed as disturbing in that they seem to portray a developing picture.

While margin trading in stocks is admittedly not what it once was, it is held there is a lot more of it going on than some brokers say. In this respect it is pointed out that during the past 12 months there have been times when, in terms of number of shares traded, as much as 50% of the business on the NYSE was margin trading. In terms of dollars, the proportion was somewhat less.

Floor Trading, Again, a Matter SEC Is Watching

Chairman Eccles of the Federal Reserve Board for some time has felt that there should be a special wartime tax of, say 90% of capital gains. He regards the present capital gains tax as very loose, especially as it applies to people in the higher income brackets. His proposal, however, has not been viewed favorably in the Treasury, which would have the job of selling the idea to a reluctant Congress. This has given rise to alternative suggestions to the effect that the definition of "short term" in the capital gains tax should be extended to 24 or 36 months. If that were done, all capital gains within such a period would be counted along with the taxpayer's other income, and taxed accordingly.

The foregoing suggestion, which would require action by Congress, is one of a trio of suggestions which are being discussed in Washington. A second is the promulgation of an executive order or, alternatively, Congressional legislation, prescribing down payments on farm land and residential real estate purchases. The third suggestion is that existing margin requirements for stock purchases be increased by the Federal Reserve Board.

Arguments Heard Against Increasing Capital Gains Tax

Points being urged in opposition to increasing the tax on capital gains are principally three: (1) that such an increase would discourage sellers and so force prices up; (2) that such an increase would discourage venture capital; (3) that the suggestion deals with the effects, not the causes of the high prices of stocks and land. These objections in turn elicit rejoinders.

Farm Real Estate Values

Experience with farm real estate values in the United States during this war has followed fairly closely the pattern of the last World War. Most of the increase has taken place since March, 1941. Increases have varied from State to State. In eight States prices for such real estate last November were 60% above the 1935-39 level. The number of voluntary transfers of farms reached an all-time high of 53 per 1,000 in 1943. Despite a decline since then, the figure still stands above the 1919 peak. It is theorized that the slowing down of transfers of farms is due to virtual liquidation of the holdings of institutions. It might also reflect a reluctance of buyers to bid for farms, or a reluctance of present holders to sell.

About half of all farm sales are for cash, and of mortgage sales, about three-fourths involve mortgages of 50% or more of the sales value. In California, a study discloses, about 20% of all transfers were resales within two years of purchase and about 45% were transfers to non-farmers, during the last quarter of 1944.

Factors which will make for a continuance of the rising trend in farm land values in this country are the continuance of Government guarantees of 90% of parity prices for certain agricultural products, and expected demands for farms on the part of returning veterans and workers in war industries. Therefore, it is being pointed out, with no controls, land values can continue rising and by 1948 may well exceed the pre-war level by 80%, with mortgage indebtedness simultaneously expanding.

After 1948, however, according to the same observers, agricultural prices may decline considerably, even though employment and national income remain high, with the result that farm land values may shrink to 120% of the 1935-39 level. This forecast is supported by the facts that production has been greatly expanded during the war, that world competition will have to be met, etc. But, if there should be a marked decline in national income, the pressure on farm land values will be much greater and they may decline below the 1935-39 level, it is reasoned.

In answer to the argument that present land values are not too high if a high level of agricultural prices and income is maintained after the war, "two basic factors" are said to be overlooked: (1) returns to industrial labor will increase, and returns to capital will decrease after the war. So, in agriculture, returns to labor and management should also increase, with returns to land decreasing or remaining constant, if the standard of living of farm families is to keep pace with that of the rest of the nation; (2) recent technological developments require that the size of farms in some areas be increased, a trend which would be interfered with by continued high land values.

In short, it is being argued that land values already are too high for the post-war period and that any further advances in farm lands will only make post-war price and production adjustments more serious.

Post-War Private Flying and Employment

(Continued from page 2505)

military service who have learned some aspect of aviation, who have acquired new skills in aviation, and who will want to use them," he stated.

"We can, however, by fostering private flying and other aviation fields develop the industry so that many thousands of new jobs will be available, to supplement the number of new jobs and opportunities that commercial aviation can offer returning servicemen.

"Countless career opportunities are offered in private flying, a field which has the broadest possible ramifications, the majority of which have been practically ignored up to the present. Private flying depends on the development of airports, on the solution of many other problems. But if all of us in aviation do less theorizing and take more action, we can assist in the full blown development of a great field — one which will provide jobs for thousands of air-trained boys now in service," Mr. Monro stated.

In appraising the true job possibilities his industry will offer, Mr. Monro stated that "the nimble-minded folk in aviation who are ready to take a mental flight into the wild blue yonder at the drop of a suggestion have predicted, among many other things, that commercial aviation will open a vast new field of opportunity for returning servicemen. By affirming and re-affirming this open door policy of employment, I don't doubt but that men in uniform by the thousands will look to the airlines for their peacetime jobs. Our business is going to expand, many times over our pre-war peaks. But commercial aviation does have its limitations, as does every industry. So it is important that we have a clear understanding of exactly what commercial aviation can offer the returning G.I.'s. Let's be frank. Let's be honest, and let's not for a moment disillusion anyone — especially those fighting men to whom we all have an obligation that is sacred."

The PCA head said that of the 100,000 jobs in airline work by 1948 which will be filled, the airlines must consider their present employees will want to retain their jobs. Their hard work and loyalty in the war effort cannot be ignored. In addition there are thousands of former airline employees in the various military transport services who will want to return to their chosen profession. "To re-employ them is not only our moral but our legal obligation," Mr. Monro said.

He stated that the intensive development of private flying will produce an increase in manufacturing, a vast increase in aviation schools and centers of all kinds together with an incalculable number of corallory services and activities. "Not only does this mean a wide variety of employment opportunities, but the overall education of the public to use scheduled air transportation which will have an effect dwarfing our industry's present and planned promotional activities," he said.

Mr. Monro challenged the "narrow viewpoint of people in his own industry that private owners, private flyers would minimize commercial air travel." He said, on the contrary, an increase in private flying will give impetus and force to a widening circle of aircraft usage of all kinds.

In commenting upon the attitude of the railroad industry in opposition to pending national airport legislation, Mr. Monro said that this opposition, while supposedly against an airport bill, is actually propaganda "for the dream of the railroads—integration." Even President Truman has characterized these attempts at "integration" as "cartel monopolies."

"The propaganda used by the railroads affects all aviation, and thereby our national defense of the future," he said. "Integration of all forms of public carriers would hinder the progress of transportation from the development the public not only expects but demands. It would bring about stultification, stagnation and kindred ills to the field of transportation. Further, by denying aviation the future that can be attained, this action by the railroads would be a blow to post-war employment."

Mutual Funds

The Nation's Liquid Funds

Keystone Corp. presents a chart in the current issue of **Keynotes** which should give every investor food for thought. The chart shows the volume of this nation's liquid funds in each year from 1895 up to the present. At the beginning of the first World War, liquid funds amounted to $20.0 billion. They rose more or less steadily from that point until 1929 when they reached a temporary peak of $55.2 billion. At the beginning of the present war, this nation's liquid funds amounted to $60.9 billion.

Today they have reached the astounding peak of $150.3 billion and are now three times as large as they were in the 1930s. This represents a potential purchasing power of dimensions never before witnessed in this country.

"There is every indication," states **Keynotes**, "that these liquid funds will continue to increase so long as the war lasts—and so, too, will the deferred needs for peacetime goods.

"Where both the demand exists and the money to satisfy this demand, all the evidence points to a high level of business activity for years after the war."

National Securities Series

Assets of **National Securities Series** for the fiscal year ended April 30, 1945, amounted to $23,638,455, and compare with assets of $9,802,026 for the fiscal year ended April 30, 1944.

H. J. Simonson, Jr., president of **National Securities & Research Corporation**, sponsors of the series, stated: "It is the considered judgment of the economics and investment department of our corporation that, following the period of reconversion from war to peacetime activities, there will be several years of high business activity. This, coupled with lower corporate income taxes, should result in a high level of earnings and dividends for a majority of American corporations with publicly-held securities.

"In turn, this favorable situation should be reflected in higher security prices, particularly since earnings are usually valued at a higher ratio in peacetime than under abnormal wartime conditions."

The Salesman's Point of View

Last week **Distributors Group** published an unusual piece of sales literature—a folder entitled "What Mutual Funds Mean to You as an Investment Salesman." It tells in simple language why Mutual Funds are "good" for the man who sells securities as well as for the man who buys them. Here is the way **Distributors Group** analyzes it:

"There is a world of difference between 'selling securities' and 'managing your customers' accounts.' Every experienced securities man—and customer—prefers the latter approach. It means a disinterested weighing of values, selection based on merit alone.

"To do this you must have available to you a wide range of the best securities—ability to select from this list without bias—ability to shift in and out as relative values change. This is just what the specialized mutual funds provide. This is Selective Group Investing."

32 for 2

Lord, Abbett's current Investment Bulletin on **American Business Shares** shows that during the year ended May, 1945 this fund outperformed the Dow-Jones Industrials by eight percentage points, or the equivalent of 32¢ per share. Since the management fee for this period amounted to less than 2¢ per share, the result was that holders of American Business Shares were 32¢ better off for a 2¢ management fee than had they held the stocks in the Dow-Jones Industrial average.

Another Investment Bulletin from **Lord, Abbett** on **Union Common Stock Fund** presents an interesting chart comparing the working capital of U. S. corporations with the market value of all stocks listed on the New York Stock Exchange. In the five years from the end of 1939, working capital of American corporations has increased on average by 80%, while the market value of all stocks listed on the New York Stock Exchange has gained only 20%.

"The increased likelihood of higher dividends in a period when the net returns offered by other classes of securities are the lowest ever recorded should continue to be a powerful factor favoring higher common stock prices."

Case for the "Prudent Man" Rule

Both **Vance, Sanders** and **Selected Investment Co.** in their current publications comment on Illinois' adoption of the so-called "prudent man" rule with respect to trustee investments.

Brevits points out that in adopting this rule which authorizes trustees to invest in every kind of property, Illinois is following the lead of some 12 other states. Under the "prudent man" rule, trustees are to be guided by what "prudent" men would do under the same circumstances, "not in regard to speculation," but in the permanent disposition of funds in consideration of probable income as well as safety of capital.

Mutual Fund Literature

Lord, Abbett—Current issues of **Abstracts. . . . Hugh W. Long and Co.**—Revised prospectus on **Fundamental Investors** dated May 21, 1945. . . . **Distributors Group**—Current issues of **Investment News** and **Railroad Equipment News. . . . Selected Investments Co.**—Current issues of "These Things Seemed Important."

Dividends

Massachusetts Investors Second Fund—A dividend of 11¢ a share payable June 20, 1945 to stockholders of record May 31.

Broker-Dealer Personnel Items

If you contemplate making additions to your personnel please send in particulars to the Editor of The Financial Chronicle for publication in this column.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—**John L. Patrick** has become connected with **B. C. Christopher and Company**, Board of Trade Building.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—**Percy B. Willits** and **Albert W. Hillmond** have become affiliated with **Herrick, Waddell & Co., Inc.**, 1012 Baltimore Avenue.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—**Allen O. Glore** is connected with **Slayton & Co., Inc.**, 111 North Fourth Street, St. Louis, Mo.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**Richard G. Kramer** is with **E. F. Hutton & Co.**, 623 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**Frank J. Koch** has been added to the staff of **Oscar F. Kraft & Co.**, 530 West Sixth Street.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**Harry D. Herring** is now with **Maxwell, Marshall & Co.**, 647 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**James E. Hill** has become associated with **Walston, Hoffman & Goodwin**, Bank of America Building. Mr. Hill was previously with Blyth & Co., Inc. and Pacific Company of California.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**Herbert A. May**, formerly with **E. F. Hutton & Company**, is now with **Dean Witter & Co.**, 634 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)

LOUISVILLE, KY.—**William T. Meyer** is now affiliated with **O'Neal-Alden & Co., Inc.**, 429 West Market Street. Mr. Meyer was previously with Merrill Lynch, Pierce, Fenner & Beane, and Granberry & Co.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, WIS.—**Mathias J. Bartelme** is now connected with **Gardner F. Dalton & Co.**, 735 North Water Street.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, ME.—**Henry C. Berry** has been added to the staff of **Coburn & Middlebrook**, 465 Congress Street.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, ME.—**John T. Hale** is connected with **Paul & Co., Inc.**, 50 Congress Street, Boston, Mass. Mr. Hale was previously with F. L. Putnam & Co., Inc., and Eastman, Dillon & Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, ME.—**Raymond F. Hooper** has joined the staff of **Bond & Goodwin, Inc.**, 120 Exchange Street. Mr. Hooper was previously with Coburn & Middlebrook, and Townsend, Dabney & Tyson.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, ORE.—**Herbert N. Wallace** is affiliated with **William J. Collins & Co.**, Porter Building. Mr. Wallace was formerly with Blyth & Co., Inc.

(Special to THE FINANCIAL CHRONICLE)

RALEIGH, N. C.—**Robert G. Yancey** is now with **Oscar Burnett & Co.**, Commercial Building.

(Special to THE FINANCIAL CHRONICLE)

SALEM, ORE.—**W. T. Lemman** is with **Conrad, Bruce & Co.**, Oregon Building.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—**Fred R. Johnson** and **Norman B. Thomson** have become associated with **Davies & Mejia**, Russ Building. Mr. Johnson was formerly with Conrad, Bruce & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—**Charles Quine**, previously with Walston, Hoffman & Goodwin, is now wisth **Kaiser & Co.**, Russ Building.

(Special to THE FINANCIAL CHRONICLE)

SOUTH BEND, IND.—**Nathaniel R. Bessel** has been added to the staff of **Harrison & Austin, Inc.**, National Bank Building.

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, FLA.—**Frank R. Liggett Jr.** is with **Cohu & Torrey**, Florida National Bank Building.

Green Opens in Sacramento

SACRAMENTO, CALIF.—James B. Green has opened offices in the California State Life Building to act as a dealer-broker in securities. Mr. Green was formerly with George H. Grant & Co.

The Anglo-Chilean Exchange Agreement

(Continued from page 2508)

United Kingdom registered at the Bank of England or to Special Accounts of exchange banks or, in special cases, of institutions and firms operating in Chile which may, subject to the prior agreement of the Banco Central de Chile and the Bank of England be opened with their United Kingdom correspondents after registration at the Bank of England.

Sums may be freely transferred from one Chilean Special Account to another but shall not be transferred to a non-resident account other than a Chilean Sterling Area Account. A non-resident Account means the account of any person resident outside the sterling area.

Payments to Chile in respect to the sale of nitrate and iodine to the sterling area shall be subject to a special agreement. Any transfers of Sterling by the Nitrate Corporation of Chile Limited to convert such money into pesos or to pay the Government of Chile any part of its share in the Corporation's profits shall pass through the channel of a Special Account.

4. Sterling balances standing, at the date of the coming into force of this Agreement, to the credit of persons, firms or corporations resident in Chile may be transferred to a Chilean Special Account.

5. Sterling amounts in the Special Accounts shall be used for the payment of the commercial and financial services in sterling of Chile in the Sterling area such as:

(a) Payments through the usual service bankers in respect of public debt.

(b) Other sterling requirements of the Chilean Government.

(c) Interest and dividends on other British investments.

(d) Shipping freights and insurance.

(e) Sterling area exports to Chile.

(f) Other payments by Chile to the sterling area.

6. The Chilean authorities shall take all possible steps, in cooperation with the British Exchange Control in London, to ensure that all payments and remittances to the sterling area shall be made from funds deposited in the Special Accounts.

7. Balances standing to the credit of the Special Account of the Banco Central de Chile at the Bank of England may, at the option of the Banco Central de Chile, be transferred in multiples of £100,000 to a Special Account "A." Amounts so transferred shall yield interest.

8. In the event of any change in the official price of gold in London the balances standing to the credit of the Chilean Special Accounts shall be established as at the close of business on the day preceding such change. The total of the Chilean Special Account balances so established, deducting therefrom any sales of sterling made in Chile but not yet liquidated in London, shall be adjusted to accord with the new official price of gold in London by credit or debit at the Bank of England of the Special Account of the Banco Central de Chile, as intermediary for the Chilean Special Accounts.

9. On expiry of this Agreement:

(a) The provisions of Clause 8 shall continue to apply to the balances held on Chilean Special Accounts; and

(b) balances remaining on Chilean Special Accounts shall be utilized for the purposes laid down in Clause 5.

10. Notwithstanding the foregoing provisions of this Agreement, the Bank of England may authorize the opening or maintenance of accounts with banks in the United Kingdom to be denominated "Chilean Sterling Area Accounts" in the names of persons resident in Chile but having close connections with any territory in the sterling area, to which credits representing income arising in the sterling area and transfers from Chilean Special Accounts would be permitted. Sums standing to the credit of these accounts may be used only for:

(a) payments to persons resident in the sterling area other than payments in respect of goods exported from the sterling area to Chile or remittances for financial services, and

(b) Payments to a Chilean Special Account.

Such balances may not be paid to any other non-resident's account.

Transfers between one Chilean Sterling Area Account and another may not be made.

11. This Agreement shall come into force on the date fixed by agreement between the Banco Central de Chile and the Bank of England. It shall run for one year from the time it comes into force and shall be automatically renewed for equal periods unless either party, three months before any maturity, informs the other of its desire to end it.

12. All difficulties which may arise in the application of the terms of this Payments Agreement shall be resolved by agreement between the Bank of England and the Banco Central de Chile as well as all details relative to its application.

13. In this agreement the expression "the sterling area" shall have the meaning assigned to it by the regulations in force in the United Kingdom in regard to exchange control, that is to say, the United Kingdom of Great Britain and Northern Ireland (including for this purpose the Isle of Man) together with the following territories, excluding Canada, Newfoundland and Hongkong:

(a) any Dominion,

(b) any other part of His Majesty's dominions outside the British Islands;

(c) any territory in respect of which a mandate on behalf of the League of Nations has been accepted by His Majesty and is being exercised by His Majesty's Government in the United Kingdom or in any Dominion;

(d) any British Protectorate or protected state; and

(e) Egypt, the Anglo-Egyptian Sudan and Iraq.

Should His Majesty's Government in the United Kingdom amend the definition of the sterling area in force for the purposes of the said regulations, such amendment shall apply to the definition of the sterling area for the purposes of this Agreement as from the date the notification to that effect from the Bank of England to the Banco Central de Chile reaches the latter.

Oct. 30, 1940.

Shaskan Co. Adds Wallach and Shepard

Shaskan & Co., 40 Exchange Place, New York City, members New York Stock Exchange, announce that Herman K. Wallach and B. J. Shepard, both formerly with Gruntal & Co., have become associated with them.

Municipal News & Notes

With the huge John Hancock Mutual Life Insurance Co. offering now past, the chances are that the municpal market will be accorded a desired respite from further undertakings of that nature. This at least appears to be the earnest hope and expectation of dealers, many of whom presently find themselves with more than a comfortable inventory of bonds, bulk of which has been acquired as a result of the rather heavy volume of portfolio awards consumated during the past month or so.

Fortunately, these deals were not accompanied by any proportionate volume of financing by municipal governments themselves, as the market was obliged to yield considerable ground, pricewise, in consequence of the heavy outpour of secondaries alone. In any event, the result of some of these recent operations demonstrated that the market, particularly in the case of some names, has had a surfeit of offerings of previously outstanding loans.

This view finds support, for example, in the action of the John Hancock Mutual Life in rejecting the offers submitted for the approximately $20,000,000 New York City securities which were part of the total offering of $52,379,000. Evidently the prices tendered were in recognition of the recent easing of quotations for city bonds, a trend that naturally was accelerated on disclosure of a potential further substantial addition to the previously large floating supply.

Be that as it may, the trade hopefully anticipates a moratorium on such deals until such time, at least, that a material inroad has been made in the current accumulation of stocks on hand.

Oakland, Calif., Asks Bids On $15,754,000 Issue

The City of Oakland, Calif., has announced its intention to consider sealed bids June 21 on an offering of $15,754,000 bonds, authority for which was granted by the voters at an election held early in May.

Bidders will be required to name a rate of interest of not more than 5% and the bonds will mature serially from 1946 to 1984 incl. Proceeds of the financing, the largest single new municipal issue now in prospect, will be used for various municipal improvements and projects. Although the necessary manpower and materials are not likely to be available until some future date, city officials decided to effect the borrowing now in order to profit by the exceptionally favorable market conditions prevailing for such offerings.

Oakland, it is pointed, has always exercised extreme prudence in the matter of debt incurrence and the current bonded debt aggregate of $6,299,735 is reported to be the lowest among the large cities of 11 Western States. This fact alone augurs well for the success of the forthcoming financing on excellent terms, with the possibility of a coupon rate or less than 1½%, despite the rather lengthy maturity schedule.

Pending employment of the bond issue proceeds for the purposes of issue, the city is expected to invest the money in Government securities, thereby offsetting the required carrying charges on the debt.

Los Angeles Not Immediate Market Candidate

The $12,500,000 airport and $10,000,000 sewer bond issues approved at recent elections constitute the unissued authorized bonds of the City of Los Angeles, Calif. according to a report from Dan O. Hoye, City Controller. The bonds, it is said, will not be offered for sale until such time as work can be started on the respective projects. The city's Department of Water and Power, which appeared in the market on April 17 with an issue of $9,650,000 refundings, has no plans at present for any further refunding or sale of new issues.

Louisiana State and Local Debt Figures Compiled

Ambrose M. Smith, head of A. M. Smith Investment Co., New Orleans, has provided us with a copy of his analysis of the bonded debt of the State of Louisiana, its agencies and subdivisions as of Jan. 1, 1945. According to this source, direct and general obligations of the State were outstanding in the total amount of $146,781,000 on the foregoing date. This figure, Mr. Smith reports, represents a net increase of $7,139,540 over the comparable aggregate on Jan. 1, 1935, of $139,641,460. The compilation shows the amount outstanding and the type of each issue of State bonds and indicates the specific revenues applicable to the redemption of the various loans.

Insofar as local finances are concerned, the compilation shows for each parish in the State the 1940 U. S. Census population, 1944 assessment, total bonded debt (road, school, drainage, etc.,) at Jan. 1, 1945, percent of debt to valuation, average tax rate, percent of gross tax collections in 1943 and per capita debt.

Figures compiled by Mr. Smith showing trend of debt of the State and its local political subdivisions in the ten years 1935-1945 indicate a decrease of $10,876,766 for the period, the overall aggregate having declined from $342,728,415 to $331,851,649.

Provo, Utah, Sells $1,000,000 Issue Privately

Press advices disclose the recent private sale of $1,000,000 Provo, Utah, water revenue bonds to a group composed of Edward L. Burton Corp., Lincoln Ure & Co., both of Salt Lake City, and John Nuveen & Co., Chicago.

Under the provisions of the contract, the bonds will mature serially in 25 years and bear interest at a rate of 2¼% for the first two years and at 1½% thereafter. Delivery of the bonds must be made within 60 days after date of the agreement.

Mayor Harding said that proceeds of the issue will be used to enlarge the municpal water system, including construction of a new 10,000,000-gallon storage reservoir. It will constitute an important post-war project, providing employment for hundreds or returning servicemen, the Mayor declared.

Pennsylvania Rescinds 4-Mill Tax on Municipals

Governor Edward Martin signed on May 28 a bill exempting Pennsylvania municipal bond issues from the State's four-mill personal property tax, and previously gave his approval to a companion measure absolving such issues from any county personal property tax.

The Governor's action, long agitated for by the City of Philadelphia, is expected to result in a saving to the city of $730,000 a year. The city, of its own volition, had assumed payment of the tax on its loans in order to enhance their attractiveness in the market.

Ohio Municipal Market Shows Little Change

Bids for high grade Ohio municipalities held about unchanged during the week ended May 31, while bids for lower grades were somewhat lower, it was reported by J. A. White & Co., Cincinnati. The firm's index for 10 high grade Ohios held unchanged at 1.03%, while the index for the lower grades declined to a yield of 1.40%, from 1.39% the previous week. The combined index showed a decrease to a yield of 1.22% from 1.21% in the previous week.

The May 31 sale of $50,000 Zanesville, Ohio bonds, due May 1, 1947-1956, at virtually 101 for 1s would seem to show little or no reduction in bids for high grade Ohios, the firm said.

New Jersey Municipal Debt Data Compiled

Dealers and investors in New Jersey municipal bonds should find of much practical value the 13th annual edition of Ira Haupt & Co.'s, statistical hand book for New Jersey Municipal bonds. Included therein is all of the basic data necessary to a quick evaluation of the financial condition of the State's counties and municipalities. The information shows Moody's credit rating for each unit as well as its tax collection experience since 1941.

The latter statistics lists total tax levies for each government during the years 1941, 1942, 1943 and 1944, and shows the percentages of taxes outstanding at end of year of levy and as of Dec. 31, 1944.

Other tables disclose the 1944 net taxable valuation of each community, gross debt, floating debt and net debt as of Dec. 31 last, etc. Of particular interest is a section which indicates the percentage ratio of assessed to actual valuations in the case of many of the State's political subdivisions. In connection with this data, the figures shown are said to be based on information in the files of Ira Haupt & Co.

DIVIDEND NOTICES

TEXTILES
PLASTICS
CHEMICALS

CELANESE
CORPORATION OF AMERICA
180 Madison Avenue, New York 16, N. Y.

THE Board of Directors has this day declared the following dividends:

FIRST PREFERRED STOCK
$4.75 SERIES

The regular quarterly dividend for the current quarter of $1.18¾ per share, payable July 1, 1945 to holders of record at the close of business June 18, 1945.

7% SECOND PREFERRED STOCK

The regular quarterly dividend for the current quarter of $1.75 per share, payable July 1, 1945 to holders of record at the close of business June 18, 1945.

COMMON STOCK

A dividend of 50 cents per share, payable June 30, 1945 to holders of record at the close of business June 18, 1945.

JOHN A. LARKIN,
Vice-Pres. & Sec'y.

June 1, 1945.

DU PONT **E. I. DU PONT DE NEMOURS & COMPANY**

WILMINGTON, DELAWARE: *May 21, 1945*

The Board of Directors has declared this day a dividend of $1.12½ a share on the outstanding Preferred Stock, payable July 25, 1945, to stockholders of record at the close of business on July 10, 1945; also $1.25 a share, as the second interim dividend for 1945, on the outstanding Common Stock, payable June 14, 1945, to stockholders of record at the close of business on May 28, 1945.

W. F. RASKOB, *Secretary*

Exide BATTERIES

THE ELECTRIC STORAGE BATTERY COMPANY

179th Consecutive Quarterly Dividend

The Directors have declared from the Accumulated Surplus of the Company a dividend of fifty cents ($.50) per share on the Common Stock, payable June 30, 1945, to stockholders of record at the close of business on June 11, 1945. Checks will be mailed.

H. C. ALLAN,
Secretary and Treasurer

Philadelphia 32, June 1, 1945

RADIO CORPORATION OF AMERICA

RCA

Dividend on First Preferred Stock

The Directors have declared, for the period April 1, 1945 to June 30, 1945, a dividend of 87½ cents per share on the outstanding $3.50 Cumulative First Preferred Stock, payable July 2, 1945 to holders of record at the close of business June 11, 1945.

GEORGE S. DE SOUSA
Vice-President and Treasurer

New York, N. Y., June 1, 1945

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY

New York, May 28, 1945.

The Board of Directors has this day declared a dividend of Two Dollars and Fifty Cents ($2.50) per share, being Dividend No. 93, on the Preferred Capital Stock of this Company, payable August 1, 1945, out of undivided net profits for the year ending June 30, 1945, to holders of said Preferred Capital Stock registered on the books of the Company at the close of business June 29, 1945.

Dividend checks will be mailed to holders of Preferred Capital Stock who have filed suitable orders therefor at this office.

D. C. WILSON, Assistant Treasurer,
120 Broadway, New York 5, N. Y.

GUARANTY TRUST COMPANY OF NEW YORK

New York, June 6, 1945.

The Board of Directors has declared a quarterly dividend of Three Dollars ($3.) per share on the Capital Stock of this Company for the quarter ending June 30, 1945, payable on July 2, 1945, to stockholders of record at the close of business June 13, 1945.

MATTHEW T. MURRAY, JR., Secretary.

DIVIDEND NOTICES

AMERICAN BANK NOTE COMPANY

Preferred Dividend No. 157
Common Dividend No. 142

A quarterly dividend of 75¢ per share (1½%) on the Preferred Stock for the quarter ending June 30, 1945, and a dividend of 20¢ per share on the Common Stock have been declared. Both dividends are payable July 2, 1945, to holders of record June 7, 1945. The stock transfer books will remain open.

J. P. TREADWELL, JR.
May 23, 1945 Secretary

CANCO **AMERICAN CAN COMPANY**

PREFERRED STOCK

On May 29, 1945, a quarterly dividend of one and three-quarters per cent was declared on the Preferred Stock of this Company, payable July 2, 1945, to Stockholders of record at the close of business June 14, 1945. Transfer Books will remain open. Checks will be mailed.

R. A. BURGER, *Secretary.*

THE TEXAS COMPANY

TEXACO

171st Consecutive Dividend paid by The Texas Company and its predecessor.

A dividend of 50¢ per share or two per cent (2%) on par value of the shares of The Texas Company has been declared this day, payable on July 2, 1945, to stockholders of record as shown by the books of the company at the close of business on June 8, 1945. The stock transfer books will remain open.

L. H. LINDEMAN
May 25, 1945 *Treasurer*

MARGAY OIL CORPORATION
DIVIDEND NO. 61

The Board of Directors of the MARGAY OIL CORPORATION has this day declared a dividend of twenty-five cents a share on the outstanding stock of the corporation of the issue of 160,000 shares provided by amendment to the certificate of incorporation of April 27, 1926, payable July 10, 1945, to stockholders of record at the close of business June 20, 1945.

E. D. OLDENBURG, Treasurer.

Tulsa, Oklahoma, June 1, 1945.

DIVIDEND NOTICE
WESTERN TABLET & STATIONERY CORPORATION

Notice is hereby given that a dividend at the rate of $.50 per share on the issued and outstanding shares without par value of the Common Stock of Western Tablet & Stationery Corporation has been declared payable on June 30, 1945, to the holders of record of such shares at the close of business on June 15, 1945.

E. H. BACH, Treasurer.

Plans for Germany's Occupation Forming

Announcement has been made that an inter-Allied control council for Germany will meet shortly, and this is taken to indicate that the four Powers have agreed on zones of occupation of Germany, the Associated Press reported from Paris, May 31, adding that it is anticipated that headquarters for the council will probably be set up in Berlin.

The announcement said that the Russian representative on the commission would be Marshal Gregory K. Zhukov, victor of Berlin. The American representative, the broadcast said, would be Gen. Eisenhower; the British, Field Marshal Montgomery, and the French, Gen. Jean de Lattre de Tassigny.

Such a meeting would be historic in many ways. It would mark the first meeting of Gen. Eisenhower with his Russian counterpart. It also would be the first time the military leaders of the four powers had met personally to confer on mutual problems. Previously negotiations had been carried out by joint chiefs of staff in Washington.

A Plan for Aiding Small Business

(Continued from page 2503)

they tend to develop the type of individual that backs his own judgments and has the spirit of enterprise and venture. In a democracy small business, small farming, and independent professional life are important offsets to big enterprise. It may be, in the last analysis, that democracy depends upon the maintenance of an adequate amount of individualism.

This type of enterprise has tremendous vitality. Many small businesses that disappeared during this war will revive, and more will be founded as demobilization proceeds. This process is already underway; since May, 1944, the number of business births has exceeded the number of discontinuances. After dropping from 3,398,000 in September, 1941, to 2,840,000 in December, 1943, the total number of business firms was 2,938,400 last September, and undoubtedly exceeds 3,000,000 today. This phenomenon would be gratifying if the environment could assure that the new business births would not be offset by a rise in business deaths.

In particular, small business is important to employment. In 1939 eight million wage earners and two million proprietors were employed in enterprises having less than 50 workers each, which was about equal to the total employment in all concerns having 1,000 workers or more. From 1939 to the end of 1943, employment in the less-than-50-worker concerns declined by 1.7%, whereas employment in the more than 1,000-worker enterprises increased by 95%. This wartime distortion, however, will tend to rectify itself if conditions are favorable. But conditions are not favorable in certain basic respects, and we can hardly hope for either the desired restoration of individualism in enterprise, or full employment in the Nation, unless conditions are made favorable for the small enterprise.

Technological Basis of the Problem

What, then, is the small business problem? The basis of the problem, it seems to me, is not financial, but technological. Over the years, machines have become far more productive and hence far more costly. The mass producing type of machinery has been greatly developed and applied. As a result of these trends, the minimum capital requirement for successful operation in nearly all fields of enterprise has greatly increased.

This higher capital requirement has had the effect of making it more difficult to start a business. The higher capital requirements have meant higher overhead costs and fixed charges. The higher costs have required a larger volume of business and broader markets. This, in turn, has increased sales costs and required larger amounts of working capital. Investment funds have preferred the enterprises with the broadest market base in order to reduce the risk.

Three Approaches to the Problem of Small Business

I should like to discuss briefly the problem of small business from three general aspects; first, from the standpoint of technological and managerial assistance; second, from the standpoint of adjusting the tax structure; and third, from the standpoint of supplying credit and capital.

I. The Technological Approach

The first item in such a program would be to provide a means for placing small business in closer touch with modern technology and, in general, with the best management information and technics of every type. The big organizations have their own laboratories, some 2,200 in number, and large companies and associations covering the major portions of their industries are constantly in touch with the National Bureau of Standards. The larger businesses also have their own economic and marketing experts and staffs. Not only is the small business unable to support such services, but its management often does not know where to write for the most reliable type of information.

A central place should be established within the Government, to which the small business may send in a query on any problem connected with management, such as technological or production problems, sources of materials, use of by-products, methods of personnel administration, accounting standards, market opportunities, etc. The central bureau would, in effect, do for business and industry what the Department of Agriculture does for agriculture.

II. The Taxation Problem

The second, and perhaps the most important, approach to the small business problem is in the tax field. The tax structure should be revised so that, in effect, it will put a premium on funds invested in new ventures and a penalty on funds that are put into existing ventures for speculative capital gains.

What would greatly encourage small business after the war is ended would be, first, to reduce the excess profits tax from the present 95% maximum to, possibly, 65%, and to make the corporation tax, say, 25%, instead of 40% as it is now with the surtax. Secondly, to exempt from the 25% corporate tax all profits paid out in dividends which would be taxed in the hands of the recipients. This would avoid the double taxation that is so great a deterrent to the investor in productive enterprise. It would also have the desirable effect of inducing corporations to pay out rather than to retain profits. Third, to give an exemption of $25,000 to all corporations under the excess profits tax. This would be of little moment in the case of a large corporation, but it would be a tremendous benefit to the smaller and medium-sized concerns.

(1) Excess Profits Tax

I am in accord with the recent proposals of the Joint Committee for Internal Revenue Taxation and the Treasury Department for raising the specific exemption under the excess profits tax from $10,000 to $25,000. This will reduce the number of excess profits tax paying corporations greatly and will do much to render investment in the smaller business unit more attractive. Similarly, small corporations will profit from the accelerated carry-back and amortization provisions included in the Committee's proposal.

For the duration of the war this will be a satisfactory arrangement, but what shall be done thereafter? There is a tendency in current tax discussions to consider the excess profits tax as a tax to be discarded immediately, once the last shot is fired. I disagree. Some reduction in business taxes will be possible and helpful, but we should not give all the benefit to the corporations with excess profits. Elimination of the excess profits tax, while retaining corporation income tax rates at their present level, would give the greatest tax relief to those who need it least. This would be a tax differential unfavorable to the weakest corporations.

It should not be forgotten that excess profits in the next few years will be as direct a result of the war as are the excess profits of today. I can see no justification for failing to tax those war profits then, as now. Beyond that, however, complete elimination of the excess profits tax will make it impossible to provide the tax benefits that I have mentioned for the smaller enterprises.

(2) Corporation Income Tax

Among various adjustments that need to be made in the corporation income tax, the treatment of dividends and of losses are of particular importance to the small corporations.

Under present and prewar practice, equity capital is taxed under the corporation income tax, and again, under the personal income tax, when distributed in the form of dividends. Income from fixed debt forms, on the other hand, is not taxed at the corporate level, interest payments to bondholders being taxed but once, under the personal income tax. The resulting discrimination against income from equity capital is serious, particularly for the small enterprise which needs new capital. Numerous schemes have been proposed to give tax relief to equity capital. I should prefer to give the relief at the corporate level, and exclude from taxable income such part of corporate profits (or a fraction thereof) as is distributed in the form of dividends. This tax credit would take care of the problem of double taxation and, in addition, would exert a healthy pressure for the distribution of dividends. Also, it would be a good deal simpler than some of the other methods which have been suggested. To protect small corporations in need of funds for capital expansion, it might be well to provide that some minimum amount of retained income, say $50,000, receive the same favorable tax treatment as that given to distributed profits.

Adequate provision for carry-over of losses is also vitally important to the small corporation which is not in a position to spread its risks over a wide variety of products and markets and is, therefore, more likely to have a fluctuating income. If a five or six-year period for the carry-forward of losses is allowed, combined perhaps with a two-year carry-back period, this disadvantage of the small firm will be reduced.

The great mass of truly small business units, however, are unincorporated. Their tax problem, therefore, is under the personal, rather than the corporation, income tax. From a social point of view, these are the very units which it is most important to encourage. But at the same time the technical problems of providing encouragement under the personal income tax are the most complex and difficult of solution.

III. The Financial Problem

Undoubtedly, there is a lack of an adequate mechanism today for providing equity capital for the smaller ventures. The exemption from SEC requirements for financing up to $300,000 should be of help to the smaller concerns in obtaining equity capital. However, even with this exemption, costs of new financing will still be high on small flotations.

The Investment Bankers Association has presented a plan which is directed toward filling a gap in our investment institutions. The local investment company, directed by local business leaders and locally administered, is the best replacement for the individual investor, and unquestionably better than any central or large-scale investing institution, private or governmental. Local business leaders know their localities and the enterprises in them, and community patriotism is a force that should be brought to bear.

The plan is also sound in clearly recognizing that additional funds will also be needed, by such local investment companies, if the

job is to be properly done. But there are other features of the IBA plan that are less convincing. The required additional funds under this plan would be borrowed direct by sale of debentures to the Federal Reserve Banks, whereas it seems to me that the private investment market, or such pools of private capital as the credit pools recently formed by commercial banks throughout the United States, would be a more appropriate source.

The funds that the IBA plan proposes to use would not be available if the Wagner-Spence Bill is enacted, as I hope it will be. Federal Reserve funds are not appropriate for this purpose because there should be no mandatory requirement for their creation which might conflict with over-all credit and monetary policy. Hence, if the plan is not to be supported by private funds, a Government appropriation will be necessary.

There are some other features of the IBA plan which I think should be modified, but I shall not undertake to discuss them here.

Turning to the credit problem as it affects small business, I feel that it should be clearly conceived of as one of stimulating the flow of private credit to small business, as opposed to direct governmental lending. The great majority of all banks are themselves small businesses, and Government should encourage them, not compete with them in the lending field.

Many small businesses which are not in need of long-term credit, have satisfactory short-term credit relations with their banks, and for them no credit problem exists. The problem is how to bring the commercial bank loan further over into the area of the marginal credit risk, particularly for long-term credit.

The technique of the so-called V-loan, which has provided billions of dollars of credit for war production, is a logical answer to the problem. The idea was by no means new. It was an outgrowth of the credit plan adopted by Congress in 1934 in adding section 13b to the Federal Reserve Act. That legislation authorized Federal Reserve Banks, under narrow restrictions, to make direct loans to business and industry, participating, however, with local banks wherever possible in these loans and commitments.

The Wagner-Spence Bill, which is pending before the Banking and Currency Committees, would carry over into the reconversion period and, specifically, until the end of 1949, unless further extended by Congress, this guarantee principle of governmental aid which has worked out so successfully in FHA financing and in the so-called V and T loaning operations for war production and for transitional reconversion purposes.

Instead of setting up governmental lending agencies financed out of taxes or deficits to supplement or, as so often happens in fact, to compete with banks or other private lending institutions, it would be far better, if we are to preserve a free enterprise system, to aid the banks and similar institutions to function more effectively in meeting the varied and changing needs of business, industry, agriculture and individuals in the communities they serve. Where oppressive and restrictive regulations beyond those required for public protection cripple private lending institutions, they need to be liberalized and amended in the light of modern needs and conditions.

Some progress has been made in that direction, notably in the revision of bank examination policy in 1938. The revised procedure, under which appraisals of bank assets are based on intrinsic worth rather than on fluctuating current market values, has been adopted in principle by the three Federal bank supervisory authorities and by those of practically all of the states. If it has not been carried out adequately in practice, it is largely because old habits die hard.

Similarly, the Banking Act of 1935 liberalized the authority of the Federal Reserve Banks to lend to member institutions. Nevertheless, additional provision should be made for encouraging the flow of local bank credit by a mechanism such as is provided in the Wagner-Spence Bill. This measure would repeal the restrictive provisions of 13b. The loans would be made by private banks. To the extent that the banks made them without reliance upon the guarantee, so much the better. For borderline or marginal risk loans, a guarantee in part, that is, up to 90%, would be available. As in the V and T loans, the fee which the lending banks would pay for the guarantee would increase with the percentage of the loan guaranteed. Hence the inducement would exist for the banks to assume as much of the risk as they felt they safely could. No appropriation would be required from Congress, since the fund originally provided under section 13b, amounting to approximately $139,000,000 derived from the gold increment, would be made available. This would permit upwards of one-half billion dollars to be loaned through this mechanism. While it is my opinion that many of the estimates of the amount of credit that would be needed by small business after the war are exaggerated, to the extent that the need does exist, this mechanism would go far to meet it.

The loans, of course, would be made by local banks to local people whom they know and with whose character, capacity and reliability they would be familiar. Loans by governmental institutions, unfamiliar with local conditions, are a very different matter. It is obvious that there can be no justification for giving easy Government credit to competitors of existing and established small businesses who have relied upon private credit and who could not compete against what in effect would be governmentally subsidized newcomers in the field.

The Wagner-Spence Bill, if enacted, would serve an all important need in the reconversion period by bridging the gap between termination (T) loans and those needed especially by smaller business enterprises to acquire plant, machinery, inventory, etc., that otherwise would be taken over and disposed of by the appropriate surplus disposal agencies. As you know, the V-loan program enabled the Reserve Banks to act as guarantors for the Army, Navy and Maritime Commission in war production loans made by private banks to war contractors and subcontractors. Similarly, the T program was developed to finance contract cancellation pending settlement by the Government. When settlement is made, the money has to be applied to the T loans, and the Army, Navy and Maritime Commission have no further authority whereby loans that will then be needed to finance purchase of surplus property could be guaranteed. The Wagner-Spence Bill would supply this deficiency and would facilitate and simplify disposal of surplus property. War contractors and subcontractors desiring to acquire government-owned plant, machinery, inventory, etc., would be enabled to finance such purchases through the same channels using the same guarantee mechanism with which they are familiar, and the Government's interest would be safeguarded as it has been in the V and T loans. Contractors in possession of surplus property would be able to negotiate for purchase at the time of contract settlement, thus avoiding delay, expense and other complications that would arise if the property had to be removed and disposed of elsewhere. It would be most unfortunate to let this mechanism lapse. It can be most effective in facilitating reconversion, in disposal of surplus property, and in meeting credit needs, particularly of small business, after the war.

Summary

The small business program should be three-fold—making available technological and managerial information that small business can readily use; readjustment of the tax system so as to favor particularly the smaller enterprises; and continuance of the V-loan mechanism to enable the banking system to extend credit.

Nothing that I have said is intended to reflect a mere sentimental interest in small business. It is an economic fact that the backbone of this Nation has been the small enterpriser and that our entire economic system and its survival depend upon fostering individual, not collective, enterprise.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 2506)

almost non-existant. In the middle of last April, however, the group got a sudden shot in the arm and moved up to about 30. A two-point advance is nothing to get excited about, but considering the utilities lack of action, even this move was important. From mid-April until last week the utilities again did nothing. Yet they kept the gains. Last Tuesday (May 29) the utilities moved up about .30. Thursday they reacted .39. It is the reaction rather than the rally which became important. It established a swing or a pendulum which up to then was absent in the group. On June 1 (Friday) the pendulum action of the utilities was confirmed when the average advanced .45, or .06 above the 31.39 top made on May 29. This breaking out of the long rut became visible in the action of a half dozen utility stocks.

The reason I stress utility action is its effect on the rest of the market. Last April when the group moved out of its narrow range, the other averages, rails and industrials, subsequently moved up about five and ten points respectively. Naturally the conditions then are no longer present today. But the action is so similar that a parallel is indicated.

Yet though the parallel is there it is not indicative of immediate fruition. There

(Continued on page 2528)

The Securities Salesman's Corner

By JOHN DUTTON

Information Is Valuable — Use It To Your Best Advantage!

There is an old but true saying that the price you put upon your own abilities will result in the valuation the world will place upon your worth. Carry this a bit farther and you will find that it is likewise a certainty that the valuable information that comes to you from day to day, regarding the various securities which you are following, the economic changes that are going on in the world of business, and the extensive flow of financial and political news that comes to you from sources all over the world—CAN BE JUST AS EFFECTIVE IN BUILDING AND KEEPING A CLIENTELE OF SATISFIED CLIENTS, **as you wish to make it.**

It all depends upon **how** you disseminate this information to your customers. If you scatter this information abroad — hand it out indiscriminately — make it easy to get — you cheapen the worth of one of the most valuable services you can render to your clients. Think of the extensive news gathering services that are available to our industry. Consider the cost of these services. Realize for a moment the value of this priceless information that your firm is securing (at considerable expense—and for what purpose? To make it possible for you as a salesman TO RENDER A SERVICE TO YOUR CLIENTS WHICH THEY CANNOT SECURE THEMSELVES. This service is in a class by itself — hardly another line of business gives out so much FREE INFORMATION as the securities industry.

This all adds up to one conclusion and that is, "something which we get for nothing is rarely appreciated." Well, we can't charge a fee for it — it's part of our business. BUT WE CAN HANDLE INFORMATION IN SUCH A WAY AS TO BUILD UP OUR PRESTIGE IN THE EYES OF OUR CUSTOMERS. We can do this BY MAKING "NEWS" IMPORTANT.

Let's take a leaf from the doctor's book—or the way a successful lawyer handles his stock in trade (information). After all, what do they sell? INFORMATION! You get a sprain in the muscles of your back. You go to a doctor. He hears your story. What does he do then? Does he give you the answer right off the bat? The chances are he knows what's the matter with you as soon as he sits you in his chair. But he looks you over, asks you to bend and twist, and possibly he even gets out the stethoscope and the blood-pressure gadget and puts you through the motions of an examination. Then he looks at you rather gravely, tells you not to worry, hauls out the adhesive tape, straps you up, gives you some pills (that he tells you will ease the pain) and after all this build-up he tells you you've got something with a fancy name called contusion. When you pay him — you feel like you've got your money's worth. As for lawyers — if all the rig-a-ma-role that has been written into the law books (just to make it tough for the customers and easy for the lawyers) were put into one volume, that book would be as thick as the Empire State Building is tall — and just as unintelligible as it was thick. But lawyers and doctors make their living out of "selling information. They've got it down to a science.

The next time a customer asks you a question THAT YOU CAN ANSWER JUST BY GOING TO YOUR STATISTICAL DEPARTMENT, OR BY THE SIMPLE PROCESS OF LOOKING INTO THE MANUALS IN YOUR OFFICE, REMEMBER THAT WHAT IS A SIMPLE MATTER FOR YOU ISN'T SO EASY FOR HIM. He isn't in the securities business — the chances are 100 to 1 that he wouldn't know where to go to get the answer unless he came to you, or to someone else in the business. This is the time to let him know that the service he receives from doing business with you is VALUABLE. Don't jump to the telephone and rattle off your answer in a casual, matter of fact way. Remember, that infers to him that this is something of no consequence which you do for the public may times a day. Tell him you are going to check it up. Build up the importance of correct information and put a plug in there for your firm and your "fact finding" facilities. Let him know that in regarding every inquiry of this nature it is important to your firm that the latest and most correct advices on the subject are carefully checked before such information is disclosed. If possible, wait a day or two. Then make your telephone call — or write a **good** letter. WHEN PEOPLE BELIEVE THAT THEY CAN GET SOMETHING FROM YOU THAT IS IMPORTANT TO THEIR WELFARE — YOU ARE THEIR SALESMAN AND THEY WILL PLACE THEIR CONFIDENCE IN YOU AND YOUR FIRM. Call it bunk — call it window dressing — call it any name that you may wish — ITS SELLING!

Selling is based upon a fundamental appreciation of the weaknesses as well as the strengths in "human nature." Securities don't sell themselves — that's why we need security salesmen — doctors — lawyers — and even politicians — they all have something to sell. Those who are successful not only render a worthwhile service — they also know how TO MAKE OTHERS LIKE IT!

Tomorrow's Markets Walter Whyte Says—

(Continued from page 2527)

are other signals of more immediate importance that seem to claim precedence. The industrials which, last week and the week before, beginning to show evidences showed a base at 164, are now of a barrier in the region of 170-172. So far they are well away from those levels but one or two days of strong action by the leaders and they will be right in the midst of that range. I might point out, however, that the latter obstacle seems to be of minor importance. The utility signal, on the other hand, seems to be of intermediate if not of major importance.

A short run indication can however carry the industrials down about 5 points. It may be only three points if the 170-172 is not reached first. But any reaction, no matter how minor, is a reason for abstention. So despite the long term positive indication I prefer to follow the short term signal.

Where stocks held are concerned the advice to maintain positions is repeated. You have Jones & Laughlin at 29, now about 34. Keep stop at 30. U. S. Rubber at 56, currently about 59, stop remains at 57. U. S. Steel bought at 56, is now about 69, stop is still 65.

No additional stocks will be recommended until the long range influences become dominant, the short run indications disappear or the setback occurs.

* * *

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Conference Works on Economic Set-up Despite Political Differences

(Continued from first page)

ership is surely being frustrated by the still unresolved disagreements over Argentina, Poland, and the Levant. . . .

* * *

The sudden impact of the Syria-Lebanon affair on the Conference seemed to make its elaborate deliberations highly academic. . . . As a member of the new World Organization, would Great Britain have acted any differently; would she have waited to consult League machinery in lieu of direct dealings with France? . . . **And everyone here recognizes the fact that the World Organization would be estopped from effective action by France's vetoing of almost any of its actions it did not like. . . .**

* * *

This highlighting of the vital veto issue through the Near East events, coupled with the intransigent Soviet attitude toward the formula in the new Charter is quite understandably making Mr. John Public a sophisticated cynic. . . . For until the past few days he did not realize that a Big-Five Power can prevent concerted League action against its aggression. . . . On street corner and in hotel lobby, in bar and in barber shop, the argument vehemently rages as to where the veto prerogative really should be exercised; about alleged basic unreconcilable differences between the American and Russian souls, and guesses about what Uncle Joe has up his sleeve next. . . . And the controversy has been further dramatized by the flight of Harry Hopkins to Moscow and supposedly bypassing of Gromyko here. . . .

* * *

But the determination of the veto-point is not the crucial factor. . . . The really significant conclusion is the following: Granting the premise that for the League's "practical operation" the veto privilege is necessary, this justification for the necessity of a veto can only signify hopelessness for the long-run career of the League. . . . **For if it is necessary not only to permit, but actually to legalize aggression and other international lawlessness, what chance is indicated for international cooperative and unselfish policies? . . .**

* * *

The Kremlin's drastic stand in the veto controversy is regretted by many of her good friends here, as injuring both her own interests and international cooperation. . . . Because of the stimulant to cynicism, unwitting encouragement to the Nye and Wheeler isolationist school is even feared. . . .

As the Conference moves on to its climax, the process of consciously concentrating power in the Big Five daily becomes more marked. . . . Following are some examples:

(1) Generally limiting the powers of the General Assembly, whose membership includes all nations, in favor of the Security Council which is controlled by the Big Five. . . .

(2) Giving the Security Council, supposedly an agency for the use of force, control over selection of the Secretary General; and indicating the possibility of thus deviously using the Council as an instrument of Big Five power to an absurd degree. . . .

(3) The general formulae for voting, with the veto privilege, extremely far-reaching even within the areas unanimously agreed to. . . .

(4) The Charter will be declared effective after ratification by each of the Big Five, but by only a majority of the other nations. . . .

(5) As a big power, Russia wants to have a full say on the Trustee Commission, although she has never had a trusteed territory. . . .

* * *

Plans for providing machinery to function during the extended period between the end of this Conference and the ratification of the Charter, are progressing rapidly. . . . Major delegations each have at least one member working on the problems; and a working paper has been drafted, which the United States delegation discussed at length yesterday. . . . Setting up the machinery for this interim period before the World Organization can legally function, is part of the agenda for this Conference, but will have no place in the Charter. . . . This machinery will be done before the Conference is ended. . . .

There are two problems:

(1) To avoid jumping the gun in encroaching on the new Organization's prerogative before it has been legally ratified by the American Congress and other Legislatures. . . .

(2) To absorb the facilities, and the many and complicated international arrangements, under the existing League of Nations. . . .

* * *

Located in London, the organization will probably be called the Interim Commission or the Preparatory Commission—with the latter the more descriptive. . . . In any event, it will function as a "working party" to set up housekeeping. . . . **It will make all the detailed arrangements and draft elaborate agenda for the first meeting of the new Organization's General Assembly. . . . To avoid gun-jumping, the operations will be kept informal. . . .**

* * *

Following the lines of the Food and Agriculture Agency after Hot Springs, this agency will probably be set up as follows:

(1) The top Preparatory Commission proper would have a member from each nation, who might meet only twice, once at its initiation and again at its dissolution, when the Charter is ratified. . . .

(2) An Executive Committee of 14 members, chosen by the above described top Commission to whom it will report. . . . This Committee will be on a regular-meeting basis, and supervise operations full-time. . . .

(3) A Secretariat, much smaller than the subsequent full Secretariat of the new League. . . .

(4) Technical committees and staffs: Particularly active could be the staff leading to the ultimate Economic and Social Council. . . .

* * *

Preparing the agenda for the new League will be far more complicated and detailed than at first blush would seem likely. . . . Rules of procedures and staff regulations, including living details and grades of pay, must be drafted. . . . The Commission will find it necessary to draft a budget, which means anticipating the activities of the new League that will subsequently occur after its founding. . . . It must lay out the framework of its activities, and the financing provisions. . . . In the latter regard it seems almost certain to follow the League technique. . . . Expenses were shared on the ability to pay principal, arrived at by consultation rather than by any statistical formula. . . .

The financing of the Preparatory Commission in the interim period will be done in one of the two following ways:

(1) By the countries chipping in concurrently, as after Hot Springs with the Food and Agriculture Commission. . . . The U. S. contribution was made with a Congressional appropriation. . . .

(2) The host country can lay out the monies, and collect afterward. . . .

* * *

One of the important and difficult tasks for this Commission will be drafting and necessarily only drafting terms of agreement for subsequently bringing into the new League the affiliated organizations, such as the International Labor Office, the Bretton Woods Fund and Bank, the Food and Agriculture Agency, etc. . . . Such draft agreements must be worked out, and later presented by the new League's Economic and Social Council to the Assembly for its approval. . . . Only the intergovernmental agencies, as those specified above, will require agreements; the non-governmental bodies, like the Chamber of Commerce and specialized agencies, will be brought in informally and frequently as **ad hoc** participants. . . .

* * *

There are several knotty legal questions involved in the taking over from the existing League of Nations:

(1) Who owns the buildings and the archives—the League of Nations or the nations severally? . . . This must be discussed by the Interim Commission. . . . British favor the new League taking them over, through payment. . . .

(2) What action is to be taken regarding the many treaties which were made specifically under the aegis of the League of Nations? . . . Articles 22-25 of the League of Nations Covenant provide for its cooperation in varying manners through conventions and treaties on matters of Labor; treatment of native freedom of communications; traffic in drugs, women and children, and administration of mandate territories. . . . **All of these treaties will have to be reviewed, which will involve a most difficult and lengthy task. . . .** All the arbitration provisions naming the League will have to be transferred to substituted organs of the new United Nations Organization. . . .

(3) Who actually owns the present mandates; who has actual title, as in the case of Palestine? . . . They belong either to the possessing country, to the League, or to the former allied and associated powers. . . .

* * *

The factor of the present United Nations excluding some of the old League members, enters in two ways:

(A) In the case of the outside organizations to be affiliated, (such as Bretton Woods), Sweden, Switzerland and Ireland, may cause trouble. . . . For, although they are autonomous bodies, the bitterly anti-League USSR may object to their getting their foot inside the door. . . .

(B) Some non-United Nations countries are treaty participants. . . . Yesterday, the appropriate Committee here acted to bring the existing permanent Central Opium Board and the Drug Supervisory Board into the new United Nations Organization, as one of the official intergovernmental organizations, as will be the case with the International Labor Office. . . . **They will be brought in independently of other social and health bodies, and because of the special nature of their problems—including the restrictions on drugs —will not be subservient to any other agency. . . .** Later there will also be brought into the Organization, with strictly United Nations membership, a new so-called Advisory Commission to replace the existing Advisory Commission of the old League. . . . The interim body will have to devise the means for accomplishing all this. . . . The Drug Boards operate under six separate conventions in affiliation with, but not as integral parts of the League of Nations, and comprising several non-United Nations countries. . . .

The Preparatory Commission will be influential in determining the kind of personnel of the Permanent Organization. . . . The Canadians are pressing a proposal, aiming at the creation of a permanent International Civil Service, taken out of national politics, and not to be interefered with by political considerations. . . .

The manner of the United States participation may be influenced by Mr. Stettinius' future, particularly should he transfer his functions to officialdom in the new Organization. . . .

* * *

The Committee on Economic and Social Cooperation, under the very able and tactful leadership of Sir A. Ramaswami Mudaliar of India, will finish its labors this week, and report publicly to the full Commission Monday next . . . An itemized seriatim analysis of the changes made in the projected Economic and Social Council from the Dumbarton Oaks provisions, and a summary of the net results follow:

(1) Chapter 1 of Dumbarton Oaks, containing the statement of purposes of the Organization, is expanded to include mention of human rights and education, and has also added the Australian-promulgated pledge promising joint and several fulfillment of obligations. . . .

All the changes following hereunder apply to Chapter IX of Dumbarton Oaks. . . .

(2) Section A-2 now provides that the official bodies to be brought into the Council shall be "intergovernmental" and have "wide international responsibilities." . . . **This will effectively bar agencies of limited scope, including those with only bilateral or trilateral international relationship. . . .** To the same section has also been added an important clause, of Canadian authorship, providing not only for the reception of reports from the Council's own staff, but giving it the definite right to organize completely new agencies when necessary strictly on its own initiative. . . . In the same section the Council is given the power to make arrangements with non-governmental agencies, like the International Cooperative Association, the Workers Trade Union Association, the National Association of Manufacturers (the U. S. Government assenting), for informal consultation. . . .

* * *

As anticipated, the International Labor Office—following promises to change its Constitution—has been given the "rapporteur

treatment" (that is, the Committee's rapporteur will report "favorable recommendation") regarding its inclusion—with the Soviet delegate abstaining. . . .

(3) Section B, relating to composition and voting, is unchanged with respect to providing for the number of Council members at 18, despite proposals varying from 24 up to representatives from each of the 50 States. . . . Choice of the members in accordance with each State's economic importance was also proposed, but particularly because of the greatly broadened activities now prescribed, and because of the imponderability of future factors, it has decided not to specify qualifications of the members. . . . Eligibility of the members for reelection at any time is also provided. . . .

(4) Section C of the Charter, which specifies the powers and functions of the Council, will include a provision stating that the Council "shall" invite any member of the Organization to participate in discussion, without vote, in any matter of interest to it. . . . The Council is to decide factually whether a subject is of interest and properly calls for an invitation. . . . This is not a legal obligation with recourse, but a moral one. . . . It represents a compromise with previous suggestions which would have thrown the Council wide open to all who want to sit in. . . . **The withholding of the voting privilege from such sitters-in, in contrast with the visitors to the Security Council, is occasioned by the former's lack of executive powers possessed by the enforcement body. . . .**

In order to ensure speedy action in the conduct of its business, and to guard against infrequency of meetings, it is now being provided that meetings must be called on the request of a majority of the members. . . . This is judged preferable to prescribing time intervals. . . .

(E) To Section C-1-B, providing for recommendations to be made by the Council, is added the field of human rights, to conform with the amended Charter in other sections. . . .

(5) By additions to Dumbarton Oaks C-1-C, the Council is enabled to initiate and make reports to the General Assembly, to the member nations, and to the specialized agencies. . . . To the nations these reports must be encyclical; that is, whether approvingly or disapprovingly, it cannot—because of the sovereignty factor—report to any particular country or countries. . . .

(6) The Council will supervise the affiliated agencies in two ways: with respect to the nature of their work, and with respect to possible duplication of work. . . . **The Council can issue advice to, and can consult with, the specialized agencies as the Bretton Woods Fund and Bank, but must stop short of issuing policy directives. . . .** If it wishes to stop duplication by order, it must do so through the Assembly; directly it can use only persuasion. . . .

* * *

The Assembly can recommend to the affiliated agencies coordination of policy; while the Council can only recommend coordination of activties. . . . Even the Assembly cannot reverse, or otherwise direct, policy; for example, it will not be able to reverse loaning policies or particular decisions of the International Bank. . . . It is felt that this will present no practical problem, as the World Organization and the agencies are not separate corporate entities, but interwoven affiliates with largely identical constituent members. . . .

(7) The Conference has put some "teeth" into the Council's recommendatory activities by providing a follow-up to require reports from the member countries as to how they have observed its previous directives. . . . This check-up right will act as a bar against lip-service promises—and will remove the Council's recommendations from the plane of mere pious prayings. . . .

(8) Also added to Dumbarton Oaks is the power given to the Council to call conferences and prepare conventions. And it is empowered to provide information to the Security Council directly, instead of through the Assembly on call. . . . **This puts the relationship with the organization's enforcement body in much stronger terms, and can stop economic-born troubles with less delay. . . .**

(9) The Economic and Social Council will be specifically directed to establish a Commission for Human Rights. . . .

(10) The previous specification for experts exclusively in the organization of the Council has been eliminated. . . . Particularly because of the Council's subsequently widened activities, **the experts proviso might have kept off highly desirable individuals—as business and labor leaders—who might not have been able to qualify. . . .**

* * *

It is earnestly believed by members of the committee responsible for the above-specified changes that they have greatly strengthened the Economic and Social Council over the Dumbarton Oaks version in the following respects:

(I) The Council is strengthened in its relationship with the affiliated specialized agencies, viz:

(a) Through the initiative given to it to create new agencies;

(b) Through spelling out the ways in which it will coordinate their activities;

(c) Through the provision for giving the Council power to get not only regular reports, but special reports on request, and

(d) Through the provision for two-day reciprocal representation with the agencies. . . .

(II) The Council is greatly strengthened through additions to its own functions, viz:

(a) Getting reports from the member countries in answer to its recommendations, and reporting its conclusions thereon to the General Assembly;

(b) The power to make studies and reports on its own initiative. **Although there necessarily are no formal accompanying "teeth," a favorable press coupled with the organization's prestige may help greatly;**

(c) The new provision authorizing the Economic and Social Council to perform services at the request of specific countries and agencies;

(d) The new close link with the Security Council;

(e) The power to call international conferences;

(f) Authorization to prepare draft conventions, as on patents. . . . This has been found very useful in the past by other organizations like the International Labor Office. . . .

(III) The Council will be strengthened through the changes in its structure which assure that interested countries and agencies will be actively consulted. . . .

(IV) The great concurrent concentration of power in the Big Five raises the importance of the Economic Council. . . . It is the one realm where the "Little 45" Powers can exercise influence — particularly during the imminent pre-ratification transition period wherein both the Moscow Declaration and Dumbarton Oaks provisions vest all political powers in the Big Four or Five. . . .

The plan for a Special Economic Staff Committee for managing economic sanctions, devised by American technicians, has been permanently shelved. . . . Sanctions will be determined by the Security Council, with the **ad hoc** help of experts in the Economic and Social Council and in the Secretariat — chosen at the discretion of the Security Council's members. . . . **The official family here feels very strongly that the revision accomplishes the very maximum accomplishable within the framework of the impossibility of creating a World State. . . .** Some of the technicians here make analogies with our own historical process. . . . In the Federalist papers it was pointed out as a basic flaw that the Confederation could not reach the citizens through taxation, etc. . . . Similarly the Economic and Social Council cannot control either the States or the individuals. . . . But through a process of evolution our present Union now does reach the individual. . . .

* * *

Access to raw materials has been vigorously brought to the fore during the past week. . . .

Although the proposals made by France have been summarily disposed of, the discussion left interesting evidences of the lack of realization of the limitations of the Charter's frame of reference, of the need for catering to domestic demands, and of using loftily-stated aims for practical purposes. . . .

* * *

It will be remembered that the raw materials slogan is always a wartime incident; that normally the problem lies in the finding of export markets; that the egress of goods may be as difficult as access; and that finance certainly is a crucial factor in the acquisition of goods. . . . The French proposed the setting up of a Commission to ensure that there would be equal access to raw materials and capital goods (mentioning the means of production, according to the translation of their own delegates). . . .

The proposal has been endorsed by some producing-consuming countries. . . . It has been backed by Belgium, New Zealand and some South Americans—notably Uruguay. . . . The French say that lack of goods is a basic cause of war, and that raw materials and the means of production are just as important as full employment, which has received the Organization's blessings. . . . They want to permit both producing and consuming countries to have access to international commerce, and to allow devastated countries or developing countries to have access to the means of production. . . . **They want the existing Combined Raw Materials Boards expanded and recommend that these Boards should not remain Anglo-American but should become internationalized under the Economic and Social Council. . . .** They want the Council to prevent cartels from controlling international trade in both raw materials and capital goods, and advocate "buffer pool" agencies of consumers and producers to fix maximum and minimum prices. . . . **When queried as to a definition of "equal access" and as to the incidence of prices and payment, the French reply that the Council must find a way to effect the financing—they are quite frankly advocating a redistribution of wealth to the have-not nations on a world-wide scale. . . .**

* * *

It is thought here that the real French motives are to elbow their way on to the existing Combined Raw Materials Boards through the World Organization, to please public opinion at home, and to have another means of keeping a chip on their shoulders. . . . **It must be remembered that the plea for equal access is wholly inconsistent with France's own past policies entailing intra-Colonial preferential arrangements. . . .** The supporting South American countries are afraid that goods and credits from the U. S. will be diverted to Europe instead of in their direction. . . .

* * *

The opponents of the proposals have pointed out that the aims of particular Commissions to be created, and particular subjects to be studied, should not be in the Charter; that the Conference is only creating machinery in the Charter, and that matters like this shall be disposed of later for the benefit of the working Organization, and that it would be entirely impracticable and ineffective because of the 18 months or longer before the new Organization actually begins to function. . . .

The Committee gave the proposal the new "rapporteur treatments." . . . It ordered that when the rapporteur reports to the full Commission in open session next week, he will mention that the Economic and Social Council should consider at an early date the problems relating to raw materials and capital goods. . . .

It can be said on high authority that, despite current rumors to the contrary, there will be no regional commissions throughout the world to deal with social and economic problems. . . .

* * *

Strange seems the relative amount of the public's interest in the Conference that is centered on the termination date. . . . In fact Commander Stassen, for one, is quite out of sympathy with the public wise-cracks about the time factor, and with the journalists' gripes thereon. . . . **Although he himself is most anxious to hurry back to his Pacific naval duties, he points out that time is unimportant compared to the importance of turning out an effective Charter. . . .**

It appears as if the termination will either come unexpectedly soon, or be drawn out for a very long time. . . . The first alternative may come about through a sudden resolution of the log-jam consisting of only a few remaining items. . . . On the other hand, the end may be long delayed through deadlocks, through the necessity for a final coordination of the Charter—document, language difficulties—and finally, because Gromyko may have to submit the final document to Moscow in toto, as was done with Dumbarton Oaks, despite the fact of practically all of it having already been submitted piecemeal.

House Debates Bretton Woods Bill

(Continued from page 2505)

unclear and doubtful that it requires clarification: or that the language is sufficiently clear to make it evident that the Fund is authorized to make long as well as short-term loans, and therefore requires amendment to prohibit the former.

"But none of these terms except 'current transactions,'" Mr. Smith continued, "is defined either in the Amendment or Agreement. Current transactions are defined in Article XIX (1) of the Agreement, but no light is thrown on the Wolcott Amendment from that source. The term 'temporary assistance' in connection with 'cyclical' and 'fluctuations in the balance of payments' could certainly be interpreted as embracing long-term loans."

"How long is a cycle?" Congressman Smith asked. "Minor cycles are defined by James Arthur Estey, Professor of Economics, Purdue University, in his work, *Business Cycles*, as averaging close to 40 months, and major cycles as averaging eight years. I have consulted numerous authorities on this subject, including the highest in the employ of the Federal Government, and without exception they said the term 'cyclical' could not possibly be considered as coming within the scope of short-term lending.

"How possibly could a loan to a country going through, say, a five-year depression, serve its purpose unless it could keep it for that period plus sufficient additional time to make it possible to pay it off?"

Representative Smith also quoted the item in the May 31 "Chronicle": "Is there a joker in the Fund interpretation?" In his conclusion, Mr. Smith added: "Entirely aside from his amendment a word should be said on the matter of our being free to withdraw from the Fund. Before we enter this scheme we should be prepared to remain a part of it until it runs its course and by its own power destroys itself. If the Federal Bureaucracy can create by propaganda a sufficient amount of sentiment to force Congress to adopt this scheme now, what chance would there be in the future for the Congress to have anything to say about withdrawing from it? Only when Congress regains its independence as a legislative body will there be any hope of it being in a position to exercise sufficient power to determine whether the United States shall or shall not withdraw from it."

Wolcott An Ardent Advocate

Representative Jesse Wolcott of Michigan, ranking Republican member of the House Banking Committee, has now stepped out as one of the most ardent pleaders for the Fund and Bank. Naturally, he directed part of his lengthy speech to the criticisms Representative Smith had aimed at the Wolcott Amendment. Mr. Wolcott said, in part:

"It has been said that any country participating in the Fund has an automatic right to come to the Fund and get exchange up to the amount of the member's quota without any restriction at all, without telling the Fund what it wants the exchange for, and for any purpose for which the member sees fit to use it. I think, if that were true, if there were no brakes against that procedure, many of us would still be skeptical of the advisability of going into this Fund. The committee took action in addition to the language of the Agreements themselves to give reasonable assurance against those practices. In an amendment to the bill, it defined the American interpretation of the limits within which the Fund should operate. I hope you will bear with me while I review some of those.

"On page 8 of the Articles of Agreement we find this language: 'Before it gets exchange the member must represent that it shall be used for one of the purposes for which the Fund is set up. If it uses the exchange for any other purpose, it is subject to expulsion from the Fund.'

"The whole controversy on whether or not the Fund should be set up was on whether the managers on the part of the Fund would be in a position where they could operate within the limits of currency stabilization. The committee, to meet the objections that the Fund might be used for long-term transactions, to stabilize economies, to give relief, and for rehabilitation, reconstruction, and development made very clear the

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House Debates Bretton Woods Bill

(Continued from page 2529)

interpretation which the American Government puts on this language. In addition to that interpretation there has been issued, so that every one may have a copy interpretations put upon the Fund language by the United States Treasury, in a little brochure called the Bretton Woods Proposals: Questions and Answers.

"I stress the fact that the Fund is to be used for temporary assistance as contrasted with long-term loans. This assistance will give a breathing spell which may be all that is required to bring the international payments into balance.

"There will be introduced in the Congress very shortly, either by me or by someone else," Representative Wolcott concluded, "a bill to set up the Export-Import Bank of Washington as an independent agency of the Government, with an increase in its capital stock from $700,000,000 to $2,200,000,000, or an increase of $1,500,000,000, the activities of which will be coordinated by this National Advisory Council. Let us take this thought home and think about it: If we participate in this Fund; if we participate in the International Bank; if we increase the capital of the Export-Import Bank of Washington to $2,200,000,000, there will be no justification for the Treasury directly loaning to any foreign country one single dollar."

Patman Again Charges "International Bankers"

In his second day's speech on the bill, Representative Patman reverted to the theme that a ring of international bankers is responsible for the opposition to the Fund. Alluding to the fact that the late Leon Fraser's name had been mentioned by Congressmen opposing the bill, Mr. Patman stated that Mr. Fraser had spearheaded the criticism. He added that he did not want to say anything against Mr. Fraser personally, since "he has departed this life," but pointed out that Mr. Fraser headed what is perhaps the largest bank of its kind in the world, a bank which, according to Mr. Patman, has only 1,200 customers and accepts no account of less than a million dollars. That bank, Mr. Patman told the House, symbolizes the opposition to the Bretton Woods measure.

SEC Is Quoted by Crawford

Representative Fred L. Crawford (R.) of Michigan, who opposed the bill, quoted the Securities and Exchange Commission as his source of information that the chief purpose of the Bretton Woods Agreements is to channelize American savings into foreign investments. He said that the job is only partly done when the Bank is set up. There has then still to be the purchase of foreign bonds by American investors, and a great selling job will have to be done to inveigle the American people into sending their savings into foreign lands, Mr. Crawford said. Calling by name various Representatives seated before him, Mr. Crawford asked: "How many dollars do you want to invest abroad, Mr. Spence, Mr. Doughton, etc?" Representative Doughton merely held up his hand, as if to ward off something unwelcome.

It is alleged that officials of the SEC believe that this country is unable to find profitable employment domestically for its savings, and is therefore supporting the campaign which the Administration has been waging on a wide front to encourage foreign investment after the war on a vast scale.

Representative Sumner States Fund Will Create Dollars

Representative Jessie Sumner (R.) of Illinois, author of an unsuccessful attempt to amend the bill by striking out the Fund, which was defeated by 120 to 18, in a speech today informed the House that the United States $6,000,000,000 subscription would be "only the initiation fee." In her speech she said: "In 1940 the banks in the United States had a capital and surplus total of approximately seven and one-half billion dollars, yet there were forty billions of created dollars circulating in the United States, while in 1944, after the total capital and surplus had increased only about four-tenths of one billion, the total created money circulating in the United States was over one hundred billions.

"It does seem that the Fund would have power, thanks to the Bretton Woods Agreement and the bill, to create an amount, the limits of which I would not be able to estimate, but certainly it could extend to much more than six billion dollars, depending on how the international bureaucrats controlling the Fund exercise their power.

"The bill before you authorizes the Secretary of the Treasury to issue Government obligations to the extent of two billion seven hundred and fifty million dollars, which the Fund takes. The Fund can either use them as circulating money or bank deposits, so why wouldn't it use them as bank reserves, since this would enable the Fund to create more money as a bank does?

"The Fund Agreement gives the Fund the right to borrow dollars within or without the United States with the approval of the American representative. I see no disposition on the part of the Administration to disapprove it.

"The Fund Agreement would give the Fund sufficient power to pledge foreign currency, or foreign gold, or securities, or foreign private bonds. It says: 'or other acceptable assets.' The commercial banks on the basis of this security would lend money, or as some would call it, 'create new and additional dollars,' to claim American-made goods.

"The Fund Agreement requires a member government to sell its currency for gold to the Fund if requested. Thus the Fund has power to dump any amount of newly minded gold into the United States.

"Thus it seems that our six billion dollar contribution is only the beginning—only the initiation fee."

What the Public Expects Of Television

(Continued from page 2503)

A man in Illinois expects to watch the exact happenings of the battle for Tokyo.

A lady in Fort Wayne, Ind., expects to see the performance of "Oklahoma" over her television receiving set.

Another man in New York feels that the punishment of German war criminals should be televised.

Many people expect to see their favorite radio programs televised.

Many people expect to see the latest movies over their television sets.

The public's conception of what they expect from television is endless. They want it and hope to get it.

Public's Desire for Television Reflected in All Market Studies

Every market study made in the last few years has indicated that the public is intrigued with and very desirous of having television as they imagine it will be. The following extracts from studies are indicative of this:

The Stewart Brown study in which 3,029 people were asked this question, "What are the features you want most in your post-war radio?" Forty-three per cent of the respondents said they wanted television.

In a McCall magazine study among 11,150 of their readers, 16.5% of the women said that television is a post-war "must." Another 67% of these readers said, "I like and may get."

Thomas Joyce, when with the Radio Corporation of America, made a study in 11 cities and found that in the post-war period 61.3% of the people would be willing to pay $200 for a television receiving set—34.3% would be willing to pay $250—20% would be willing to pay $300—and 10.3% would be willing to pay $400.

Manufacturers of Radios Very Optimistic About Post-War Television

Because the imagination of the public has been fired by the possibilities of television and because in all market studies such a large proportion of the public express themselves as being desirous of having television after the war, the manufacturers of radios and television have become very optimistic about post-war television. Typical of the optimism of television manufacturers are the following examples:

Currently many magazines are carrying full-colored page advertisements on what television will do and bring to the public after the war. Newspapers and other media are also carrying important advertising campaigns featuring the promise of television.

Based on their studies Mr. Thomas Joyce, when with RCA, predicted that within five years after the war annual sale of television receivers would be 2,500,000 sets and that this would go to 3,500,000 sets per year within ten years after the war.

Mr. Arthur P. Roth, Executive Vice-President of the Franklin Square National Bank, states that 22% of their depositors are saving specifically for a $400 television set immediately after the war. Mr. Roth believes that 1,600,000 people throughout the country could be expected to accumulate $650,000,000 in savings earmarked for television.

Mr. R. C. Hooper, regional advertising manager of the RCA Victor Division and President of the National Television Council, predicts that:

1. Television will provide about 4,600,000 jobs per year.
2. Two and one-half to three and one-half television sets will be produced yearly.
3. Thirty million television sets will be in use by 1955.

Mr. E. Vogel of Farnsworth Products predicts that there will be 250,000 television sets sold the first year after the war and that this will increase to the rate of 2,000,000 sets per year after the fifth year after the war, with 5,550,000 sets in use within five years after the war.

Mr. Palmer Craig, Chief Engineer of Philco believes that 4,000,000 television sets in use after the first ten years post-war is "extremely conservative."

Mr. James H. Carmine, Vice-President of Philco Corporation says, "Probably never before has a product of a great new industry been so completely planned and highly developed before it was offered to the public as has television."

Caldwell - Clements, publishers of "Electronic Industries," questioned 54 leading radio manufacturers requesting they indicate whether or not they intend to manufacture television sets after the war. Of these, 41 said definitely that they planned to produce one or more models of television receivers. This would indicate that these manufacturers expect an excellent market for television after the war. Also it would seem to promise a very competitive market.

Rosy Prospects for Television Have Some Drawbacks

There is no doubt that the imagination of the public has been greatly stimulated by the coming of television and that manufacturers and promoters of television are both energetic and optimistic.

It must be remembered, however, that television was a relatively untried and unknown thing before this war. There were less than 5,000 television sets sold before the war and it is now estimated that only about 3,000 sets are in use. The mass consuming public in the United States could, therefore, have had very little contact with television as it actually is. In spite of this, their imagination has been stimulated and by the millions they say they want it without knowing exactly what they are going to get.

The public assumes that television will be available to them along the lines that they have let their imagination run. But there are still dozens of technical and psychological problems that are unanswered, any one of which affects materially the post-war possibilities for the rapid growth of television.

Among the technical problems still unsolved or undeveloped are the following:

1. Networks for television have not yet been developed. Television networks cannot, like Standard Broadcasting, use telephone wires. Networks for television are dependent on the development of coaxial cable networks or relay station networks. The A. T. & T. does have a plan for laying a certain amount of coaxial cable and also for experimenting with relay stations. Their plans are primarily for long distance telephone service, but could handle television.
2. The cost of handling television networks over coaxial cable will be materially higher than that of standard broadcast over telephone wire.
3. No advertiser, and it will be the advertiser that has to pay the cost of television, knows with any degree of accuracy either the size of the post-war market he can reach by television or the cost of so doing.
4. It is not yet known how many hours a day people would be interested in watching television. There is already a certain amount of evidence to indicate that some people's eyes tire after watching it for 15 minutes—others after watching for one-half hour.
5. The degree to which housewives would drop their housework to watch television during the daytime has not as yet been determined.
6. No clinical tests have been made to determine whether the father of the house would be willing to have lights turned out in the living room when he wants to read because his children want to watch a television broadcast of no interest to him.
7. The cost of producing television shows that will be acceptable to the public as compared to the cost of producing standard broadcast shows that are acceptable to the public have not yet been worked out. The broadcasting industry, however, knows that they will be very expensive.

These and other "If's" "And's" and "But's" about post-war television have not been answered and any prediction in regard to the postwar market for television is dependent upon getting some genuine answer to them.

Our client, Sylvania Electric, is very much interested in post-war television. Sylvania is a very important factor in the manufacture of radio tubes and also in the manufacture of cathode ray types which would be used in television. They would very much like to see television come rapidly and in large quantities. It would be beneficial to their profit and loss statement. But Sylvania also wants to be practical about it. It wants to know as nearly as possible what to expect of the post-war market for television. They have asked us to cooperate with them in making a series of market studies to get answers to help formulate a fair estimate of what the post-war market for television will be. We have made and are now making many studies in their interest in regard to the post-war market of television.

In one of our studies we asked respondents the following question: "After the war, television may be available in certain parts of the country. Television receiving sets will cost more than standard broadcasting sets. Would you be interested in buying a radio set that had television if cost were $75, $125, $200, $300, more?"

The answers to this question from 3,029 respondents allowed us to make a first tentative projection of the findings into the total post-war market for television in the various price ranges with the following results:

Amounts the Public is Willing to Pay for Television

	$75.00 more		$125.00 more		$200.00 more		$300.00 more	
Groups—	No.	%	No.	%	No.	%	No.	%
A Group	1,193,400	66.3	696,600	38.7	414,000	23.0	212,400	11.8
B Group	2,406,240	55.7	1,123,200	26.0	388,800	9.0	203,040	4.7
C Group	7,641,540	53.4	3,234,060	22.6	1,144,800	8.0	529,470	3.7
D Group	3,598,320	37.6	1,052,700	11.0	210,540	2.2	19,140	.2
Total	14,839,500	49.5	6,106,600	20.4	2,158,140	7.2	964,050	3.2

This would indicate that about 15 million people are willing to pay $75 more over the cost of a standard radio set in order to have television after the war—that six million would be willing to pay $125 more, that over two million $200 more and nearly one million $300 more. It must be remembered, however, that these figures are based on what the public thinks they will get in television after the war.

These figures must be tempered by such considerations as the following:

1. We do know that in a study of this sort many people express wishful thinking and do not live up to their expressed desires.
2. The money people have today with which they might buy television might not be a plentiful when they can get television.
3. When it comes to actually buying television many people might decide they would rather have a new refrigerator or home or car or one of the many other things that will compete for his dollar.
4. These people have not yet seen a demonstration of the types of programs that they will get over television. They may be very disappointed.
5. The public does not yet know what it will get in size of picture and program for its dollar in television after the war.

It is our job now to try to inform our samplings of the public more exactly as to what they will get in television after the war and see if their desire to buy is still as intense as it has been in previous studies.

We have not post-war television sets to try out on prospective customers. We cannot lead them into a store and show them television sets in different sizes at different prices and demonstrate those sets to them to see if they want to buy. The best we can do is to ex-

plain to those people who say they want a post-war television set what that set is likely to be, and see if they still want it.

For instance, in current studies we are explaining to them the following points about post-war television to see if it changes their judgment about buying it.

1. We are explaining that a post-war television set to operate successfully must have an outside antenna at an additional cost of $30 to $50.
2. We are explaining the fact that many lower priced television sets require almost complete darkness in the room, to see if this changes their point of view about television. We will also explain that the father of the family cannot read in the same room with such a television set going, and it is unlikely that the housewife would meet good television reception in a semi-daylit room.
3. We are explaining as nearly as it is possible to explain the degree to which image interference may spoil television programs.
4. We are explaining that the post-war television set, unlike a standard radio may get out of tune fairly frequently and have to be retuned. And retuning a television set with many different knobs is far more difficult than a standard broadcasting set. Women may not like the mechanics of television tuning.
5. We are explaining to them the size and quality of the set that they might get for their dollar after the war, to see if they are willing to pay that price for that type of set.

For instance:

(a) For $175 they will get a set which will have a picture screen of only 3½ by 5 inches. At best two or three people at a distance of about two or three feet away could watch a television show on this size screen and any television show such as an opera or football game becomes very miniature at this size.

(b) For $250 the size of the picture screen would be about 5½ by 7¾ inches. This is none too large for complex scenes and may also be quite tiring on the eyes to watch for any extended period.

(c) To get a picture screen that is 16 by 20 inches in size the prospective customer would have to pay about $400 or more. This size screen could give good reproductions of shows and events provided that there are the shows or events to watch.

We are now trying to get answers to these problems to determine the degree to which some of these possible situations influence the answers of respondents in regard to the purchase of a post-war television set. We are very interested in getting realistic answers from the public in order better to evaluate the size of the post-war market for television and to determine the kind of television which will meet with their acceptance.

Nor are the questions that we are now asking all that should be asked. They are but one step toward a more accurate understanding of the public's attitude toward television. Meanwhile, we must realize that there are many technical "if's, and's and but's" that still have to be answered.

Sylvania does know that television is a marvelous thing and that eventually in one form or another it should and will be in every home in the country. But caution should be exercised in overestimating the rapidity with which it will come. It might be good promotion to claim that within five years television sets will be selling at the rate of three million sets per year and that there may be ten million television sets in use within that time, but is it sound business? Sylvania, with the aid of market research is trying to keep its feet on the ground so that its contribution to the television industry may be sound and lasting.

Calendar Of New Security Flotations

NEW FILINGS

List of issues whose registration statements were filed less than twenty days ago, grouped according to dates on which registration statements will in normal course become effective, unless accelerated at the discretion of the SEC.

WEDNESDAY, JUNE 13

RACQUET CLUB OF WASHINGTON, D. C. has filed a registration statement for $492,300 extension first mortgage 3% bonds dated Jan. 1, 1945, to mature Jan. 1, 1965, to replace a like amount of bonds which matured Jan. 1, 1945. The University Club of the City of Washington (guarantor) joined in the application.

Address—1135 Sixteenth Street, Northwest, Washington, D. C.

Business—Club.

Purpose—To provide for extension of matured bonds. The Racquet Club has been inactive for a number of years and its members have become members of the University Club of the City of Washington which occupies the club quarters of the Racquet Club under lease agreement. Upon consummation of the registration, title to the property would be conveyed to the University Club, which would guarantee the payment of interest and principal on the extended bonds. The petition stated it has become apparent the Racquet Club will "never be possessed of sufficient funds to effect liquidation" of the matured first mortgage bonds secured upon the premises. It is also pointed out it is possible for a combination of the holders of 25% of the outstanding first mortgage bonds to "proceed to foreclosure and thereby embarrass both of the clubs."

Underwriters—None named.

Registration Statement No. 2-5751. Form S-1. (5-25-45).

SATURDAY, JUNE 16

UTAH OIL REFINING CO. has filed a registration statement for 198,828 shares of common stock, par value $5.

Address—Utah Oil Building, Salt Lake City, Utah.

Business—Purchase of crude oil, refining, etc.

Offering—The company is offering to its stockholders the right to subscribe to one new share at $9 per share for each six shares owned on the record date. Standard Oil Co. of Indiana, the holder of 75.2% of Utah's outstanding common stock, will subscribe to **149,523 3/8** shares of the new stock.

Proceeds—The proceeds from the sale of the stock estimated at $1,789,452 together with proceeds from a $3,200,000 bank loan will be used to construct a 10-inch crude oil pipe line from Rangely oil field, Rio Banco County, Col., to Wamsutter Station, Wyoming. The pipe line is estimated to cost $4,500,000. Any excess of proceeds from sale of stock will be used for general corporate purposes.

Underwriters—None named.

Registration Statement No. 2-5752. Form A-2. (5-28-45).

SUNDAY, JUNE 17

FAIRMONT CREAMERY CO. has filed a registration statement for 60,000 shares of preferred stock, 4% ($100 par) and 62,773 shares of common stock (no par).

Address—1202 Jones Street, Omaha, Neb.

Business—Dairy industry.

Offering—The company is offering 40,000 shares of the new preferred on a share for share basis to the holders of a like amount of outstanding convertible preferred stock and is offering 42,773 shares of new common to holders of common at the rate of one share for each ten shares held. The subscription price will be filed by amendment. The remaining 20,000 shares of new preferred and any unexchanged shares purchased by the underwriters will be offered to the public at a price to be filed by amendment. The remaining 20,000 shares of common are to be issued by the company solely for the acquisition of additional property.

Proceeds—The net proceeds from the sale of preferred stock not issued in exchange will be used to redeem old preferred stock on or about Oct. 1, 1945, at $103 per share plus accrued dividends and any balance from sale of preferred and common stocks will be added to working capital.

Underwriters—To be supplied by amendment.

Registration Statement No. 2-5753. Form S-1. (5-29-45).

TUESDAY, JUNE 19

RED BANK OIL CO. has filed a registration statement for 990,793 shares of comman stock (par $1).

Address—1905 Republic Bank Building, Dallas, Texas.

Business—Oil and gas business.

Offering—Of the shares registered Bennett & Co., Inc., parent of Red Bank, will receive 209,970 shares in return for a like number of shares loaned to the registrant in connection with the acquisition of 54% of the outstanding stock of Seatex Oil Co., Inc. In addition, 150,000 of the shares registered will be issued to stockholders of Federal Steel Products Corp. in exchange for all of Federal's stock. Bennett & Co., Inc., is the sole underwriter as to an additional 100,000 shares of common registered. The balance of 530,823 shares of stock being registered have heretofore been issued to Bennett & Co., Inc., in exchange for various obligations of the registrant.

Proceeds—The estimated proceeeds which the company is to receive upon the sale of the 100,000 shares of common stock is $180,000 which be added to the working capital of the company.

Underwriters — Principal underwriter Bennett & Co., Inc., Dallas, Texas.

Registration Statement No. 2-5754. Form S-1. (5-31-45).

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

AMERICAN ENGINEERING CO. on Feb 27 filed a registration statement for $3,000,000 5% 15-year sinking fund debentures and 200,000 shares of common stock Of the stock registered 132,000 shares are issued and outstanding and being sold by stockholders.

Details—See issue of March 8.

Offering—The debentures will be offered at 100 and the common stock at $8.50 per share

Underwriters—Van Alstyne, Noel & Co heads the underwriting group, with the names of others to be supplied by amendment.

ARKANSAS-MISSOURI POWER CORP on Dec. 4 filed a registration statement for $2,000,000 first mortgage bonds, series A, 3⅛%, due Dec. 1, 1974.

Details—See issue of Dec. 7, 1944.

Offering—The bonds will be offered for sale at competitive bidding.

ATLANTIC CO. on March 23 filed a registration statement for $10,600,000 5% sinking fund debentures, due April 1. 1980 and 274,868 shares of common stock (no par).

Details—See issue of March 29.

Offering—Under reorganization and recapitalization plan company is offering to the holders of outstanding 6% cumulative preferred stock the privilege of exchanging their shares on the basis of $100 par value of stock for $100 par value of 5% debentures and one share of common stock; to holders of 7½% cumulative preferred stock the privilege of exchanging their shares on basis of $100 par value of preferred stock for $100 of debentures and 5 shares of common and to holders of outstanding 5% Class A preference stock the privilege of exchanging their shares on the basis of $50 par value of stock for $50 par value of 5% debentures and two shares of common stock.

The holders of the 6% preferred and 5% Class A stock offering their stock for exchange shall receive dividends on April 1, 1945, at the same rate of dividends paid on the stock on Jan. 1, 1945, but shall receive no dividends thereafter, the debentures bearing interest from such date.

Any debentures not issued in exchange for stock shall then be offered to holders of presently outstanding first mortgage 5% sinking fund bonds on the basis of $100 par of debentures plus an amount not exceeding $3 in cash for each $100 par value of bonds exchanged. The 5% sinking fund bonds are callable at 103. All of the outstanding 5% sinking fund bonds not exchanged for debentures and all of the first mortgage 3% serial bonds shall be called for redemption.

The company contemplated that about June 1, 1945, it will issue not exceeding $3,400,000 3% notes and use the proceeds either for the purpose of calling all 3% serial bonds and the outstanding unexchanged 5% sinking fund bonds or to reimburse the company for funds previously used for that purpose. Any debentures not taken in exchange for stocks or bonds may be sold by the company at not less than par plus accrued interest.

Underwriter—Courts & Co., Atlanta, is named as underwriter.

CENTRAL OHIO LIGHT & POWER CO. on Dec. 28 filed a registration statement for 11,972 shares of preferred stock, cumulative ($100 par). The dividend rate will be filed by amendment.

Details—See issue of Jan. 4, 1945.

Offering—Company proposes to invite proposals for services to be rendered to it in obtaining acceptances of the exchange offer of new preferred stock for old preferred and for the purchase from it of such of the 11,972 shares as are not exchanged pursuant to the exchange offer.

COVENTRY GOLD MINES, LTD. on April 21 filed a registration statement for 333,333 shares of common stock.

Details—See issue of April 26.

Offering—Price to the public is 30 cents per share.

Underwriters—None named. The company proposes to market its own securities.

ELECTROMASTER, INC. on March 29 filed a registration statement for 107,923 shares of common stock, par $1. All of the stock is issued and outstanding and is owned by Nash-Kelvinator Corp. (being 55.17% of total outstanding stock).

Details—See issue of April 5.

Offering—Offering price to the public is $8 per share.

Underwriters—S. R. Livingstone & Co., and Mercier, McDowell & Dolphyn, both of Detroit.

GASPE OIL VENTURES, LTD., on May 8 filed a registration statement for 1,500,000 shares of common stock ($1 par) and 200,000 common share purchase warrants and 200,000 shares of common reserved for warrants.

Details—See issue of May 17.

Business—Exploration and development of oil wells.

Offering—Price to the public is 60 cents per share. The underwriter will receive purchase wararnts for the purchase of 2,000 shares of common for each 15,000 shares of common stock sold in the offering at a price of 45 cents per share.

Underwriter—Tellier & Co.

A. HARRIS & CO. on April 23 filed a registration statement for 7,000 shares of 5½% cumulative preferred stock (par $100).

Details—See issue of April 26.

Offering—The new preferred will be offered initially to the common stockholders at $100 per share on the basis of one share of preferred for each share of common Any shares not subscribed will be offered pro rata to the former holders of the 7% preferred shares which shares have been called for redemption on May 1, 1945. Any balance will be offered to the public by the underwriter at $102.

Underwriters—Dallas Rupe & Son of Dallas, Texas.

LAISTER-KAUFFMAN AIRCRAFT CORP. on April 19 filed a registration statement for 17,702 shares first preferred stock, 6% cumulative (par $25), 262,314 shares class A common (par $1), 250,000 shares class B common (par 5 cents) and 260,136 shares class C common (par 5 cents).

Details—See issue of April 26.

Underwriters—John R. Kauffman Co. is named principal underwriter.

MAJESTIC RADIO & TELEVISION CORP. on April 24 filed a registration statement for 61,965 shares of common stock, one cent par value. The shares are being sold by certain stockholders.

Details—See issue of May 3.

Offering—Price to the public will be $5.50 per share.

Underwriters—Kobbe, Gearhart & Co., Inc., is named principal underwriter.

MORRISON-KNUDSEN CO., INC., April 12 filed a registration statement for 4,000 shares series M 5% and 3,000 shares series N 6% cumulative preferred stocks both $100 par value.

Details—See issue of April 19.

Offering—The preferred stock will be sold at par.

Underwriters — Wegener & Daly, Inc. Boise, Idaho, is underwriter for the preferred stock.

NU-ENAMEL CORP. on March 30 filed a registration statement for 50,000 shares 60-cent cumulative dividend convertible preferred stock, par $5.

Details—See issue of April 5.

Offering—Company is initially offering new preferred to holders of its common stock for subscription at $10 per share on basis of one share of preferred for each 6½ shares of common. Unsubscribed shares will be offered to public by underwriter at $10 per share.

Underwriters—Floyd D. Cerf Co. of Chicago, is named principal underwriter.

PACIFIC GAS & ELECTRIC CO. on May 4 filed a registration statement for 700,000 shares of common stock (par $25). The shares are owned by the North American Co. which is offering them.

Details—See issue of May 10.

Awarded May 22 to Blyth & Co., Inc. at $36.76 7/10 per share.

The SEC on May 23 refused to approve the bid, stating that competition had "been stifled."

POTOMAC EDISON CO. on April 19 filed a registration statement for 63,784 shares of 4½% preferred stock (par $100).

Details—See issue of April 26.

Offering—The company will offer the 63,784 shares of preferred stock in exchange for the 29,182 shares of 7% and 34,602 shares of 6% preferred stock now outstanding on a share for share basis with a dividend adjustment in each case and $5 in cash for each share of 7% preferred stock exchanged.

Underwriters — The company has retained Alex. Brown & Sons as dealer-manager to aid it in obtaining acceptances of the exchange offer.

FRED B. PROPHET CO. April 17 filed a registration statement for 100,000 shares of common stock (par $1). Shares are issued and outstanding and are being sold by Fred B. Prophet, President, Treasurer and Director.

Details—See issue of April 26.

Offering—Of the shares registered the underwriters have purchased 86,500 which will be offered to the public at $6.25 a share. The remaining 13,500 shares will be offered by Mr. Prophet to officers, directors and employees of the corporation at $5.25 a share. Any of the 13,500 shares not purchased by such officers, etc., will be purchased and offered to the public by the underwriters at $6.25 a share.

Underwriters—Smith, Hague & Co., Detroit, and Straus & Blosser, Chicago, are named principal underwriters.

RICHMOND RADIATOR CO. on May 11 filed a registration statement for 333,333 shares of common stock (par $1).

Details—See issue of May 17.

Offering—The company is offering to holders of its common stock of record at the close of business May 31, 1945, the 333,333 additional shares of common at $3 per share, in the ratio of one share for each two shares held. Reynolds Metals Co., which owns 61.47% of the common stock of Richmond, will, if necessary, waive rights to the extent required to provide shares for stockholders other than itself, since on a mathematical basis the stockholders, including Reynolds, would be entitled to about 97/100 of a share for each two shares. Otherwise Reynolds will subscribe to its full share, and will also purchase at $3 per share any stock not subscribed for by other stockholders. The rights to subscribe will expire July 5.

Underwriters—None named.

ST. JOSEPH LIGHT & POWER CO. on Feb. 28 filed a registration statement for 13,056 shares of Class A 5% cumulative preferred stock, par $100.

Details—See issue of March 8.

Offering—The company is offering 13,056 shares of its Class A 5% preferred shares in conversion share for share of the outstanding 5% cumulative preferred shares held by others than Cities Service Power & Light Co.

Underwriters—The company has retained Estabrook & Co., G. H. Walker & Co. and Prescott, Wright, Snider Co. as exchange agents to secure and procure consents of preferred shareholders to the conversion.

The company also proposes to refund the $4,806,000 first mortgage bonds, 4½% series due 1947 and to reduce the aggregate principal amount of its indebtedness to $3,750,000 by redeeming the outstanding bonds and issuing $3,750,000 of new bonds. The bonds will be sold at competitive bidding.

SOUTHWESTERN ELECTRIC SERVICE CO. April 18 filed a registration statement for $2,375,000 first mortgage bonds, 3⅜% series due 1975; 8,500 shares 4¾% cumulative preferred stock (par $100) and 128,935 shares of common (par $1).

Details—See issue of April 26.

Offering — Holders of the outstanding common stock of Southwestern Public Service Co. will be given the right to subscribe to the 128,935 shares of common at the rate of one share of common of Southwestern Electric for each five shares of common of Southwestern Public Service. The subscription price will be filed by amendment. The public offering price of any unsubscribed common and of the bonds and preferred stock will be filed by amendment.

Underwriters—To be filed by amendment.

SOUTHWESTERN INVESTMENT CO. on March 12 filed a registration statement for 12,500 shares preferred stock, convertible, no par, non-participating with cumulative dividend rights of $1 per share per annum, and 60,000 shares of common, no par. Of the latter 20,000 shares is to be reserved to meet conversion requirements of the preferred.

Details—See issue of March 15.

Offering—Holders of the $1.20 preferred stock have been given the option to exchange their stock on a share for share basis for the $1 preferred stock. Any of the $1 preferred not issued in exchange will be offered to the public at $20 per share. Corporation also is offering 11,822 authorized but unissued shares of common at $12.50 per share.

Underwriters—None named.

UNIVERSAL CAMERA CORP. on March 19 filed a registration statement for 663,500 shares Class A common stock, par value one cent a share, with Class A common stock purchase warrants. Of the total 530,500 are issued and outstanding and are being sold by certain stockholders.

Details—See issue of March 29.

Offering—The initial offering price is $5 per share. Of the 133,000 shares being offered for account of company, 20,000 are to be offered to employees at $4.25 per share. Shares not subscribed for by employees will be sold to public through underwriters along with the rest of the public offering. For every ten shares of common stock bought, purchasers, other than employees, will receive warrants to subscribe to one share of common stock, at $5 per share, on or before Dec. 31, 1948. Employees will receive such warrants for each five shares of common stock purchased.

Underwriters — Floyd D. Cerf Co. is named principal underwriter.

Hearings on stop order proceedings were held before the SEC on April 25.

End of War Controls Not Blocking Jap Defeat

Plans for full production and full employment in the postwar period would be given "great impetus" if all wartime controls not essential to the speedy defeat of Japan were promptly ended, according to a report of the Executive Committee of the Chamber of Commerce of the State of New York, made public on June 4. The report which will be presented by Peter Grimm, Chairman of the Committee, at the monthly meeting of the Chamber today (June 4) urges Congress and the Administration not to authorize the extension of any such unnecessary controls.

"Controls tend to retard conversion and the achievement of full production by discouraging the risking of capital in new and expanded enterprise," the report says. It adds "the Chamber believes that the prompt ending of all such unnecessary controls will give great impetus to the plans which industry, labor and Government are making to attain the goal of full production and full employment in the postwar period."

Communications With Holland and Luxemburg

Resumption was announced on May 22 of communications between the public in the United States and in Holland and Luxemburg. Regulations permit that messages be sent only in English, French, Portugese and Spanish; the use of code not allowed. Business and financial messages to be limited to exchange of information or ascertainment of facts.

"Bretton Woods" Before the House

WASHINGTON, D. C.—House of Representatives debate on the BW enabling bill commenced June 5. Herewith are some excerpts from the notebook of a gallery observer:

Interested and seemingly happy observers in the front row of the Members' Family Gallery: the program's American author, Dr. Harry D. White, who through it has already earned himself an assistant secretaryship of the Treasury, accompanied by his faithful assistant throughout the long gestation of BW, Dr. E. M. ("Brainy Bernie") Bernstein, Ansel Luxford, and others. In the Gentlemen's Gallery another Treasury contingent and in the Diplomatic Gallery opposite, the State Department's lone representative, who has faithfully attended nearly all the House hearings.

The debating time on the bill is divided between the two sides, but in each case is allotted to the various members by a Representative in favor of the bill, Repr. Sabath acting for the Democrats, and Repr. Jesse Wolcott for the Republicans.

The members speaking address the House through microphones set up on either side of the aisle. There are also two microphones among the seats, arranged so that they may be swung one way or the other. During Repr. Buffett's speech in opposition to BW, Repr. Wolcott and Repr. Jessie Sumner of Ill., standing side by side, engage in a hot interchange, the microphone being swung rapidly back and forth between them, to the amusement of the House.

Repr. Buffet of Nebraska likens the BW program to a mousetrap, waving before the House a real mousetrap "baited" with a handful of greenbacks, to which he keeps referring during his speech. The mousetrap reminds one of a horse with a mouthful of hay. But the greenbacks "ain't hay." His speech ended, Mr. Buffett carefully carries his greenbacks away with him.

Seated with his former Republican colleagues is ex-Representative Charles S. Dewey of Ill., who last year introduced a plan of his own for international currency stabilizatiton, reconstruction and development. The Dewey plan involved very much less money than BW, and the lending of American dollars would have been under American control. Because the plan was firmly rejected by Administration witnesses, the House Committee on Foreign Affairs took no action on it. Only recently Repr. Wolcott inserted in the Congressional Record a letter from Mr. Dewey stating that he would vote for the present BW bill, HR 3314, were he now still a member of Congress.

The Reading Clerk reads to the House a letter from President Truman and one from the President of the American Bankers Association, both endorsing the pending bill.

Chairman Spence of the House Banking and Currency Committee tells the House he cannot understand why anybody should oppose BW; adds that he does not know of "any organized body" which is against the program today.

Committee Clerk Wallas Dingus circulates on the floor of the House, making himself useful to Mr. Spence and other nearby members preparing to answer the bill's opponents.

A large bundle of printed hearings is opened by a House page and for the first time Part 2 of the BW hearings becomes available to Congressmen in printed form. Repr. Wolcott opens his discussion of the bill stating it to be his assumption that every member of Congress has read the hearings and report of the Committee. However, some members have been heard to complain that they could not prepare for the debate because they had difficulty even in borrowing from the Committee galley proofs of the hearings.

Few members of the House will have an opportunity to do much reading in the 1334 closely printed pages of the hearings before the bill is passed, and few outside Congress are likely to read them, if the Committee continues to keep the hearings under lock and key, as it has done for some time with Part 1.

Theory for the Committee's peculiar action in holding on to the printed hearings is that any opponents of BW thus continue to be deprived of the opportunity to read what opposition witnesses said, until the House has acted.

Last "witness" in the printed hearings is Repr. DeLacy of Washington, although he never appeared personally before the Committee. Mr. DeLacy has been advocating BW in newspaper articles published in his home district.

Query overheard in the elevator: "Now that the influential New York Times editorial page has suddenly become converted to BW, will all its faithful readers turn a similar summersault?"

—H.M.B.

Broker-Dealer Recommendations

(Continued from page 2507)

Lea Fabrics—Discussion of interesting post-war situation — **Dunne & Co.**, 25 Broad Street, New York 4, N. Y.

Lipe Rollway Corporation—Circular—**Herrick, Waddell & Co., Inc.**, 55 Liberty Street, New York 5, N. Y.

Magnavox Company—Brochure and statistical information, available to dealers—**Fred W. Fairman & Co.**, 208 South La Salle Street, Chicago 4, Ill.

P. R. Mallory & Co., Inc.—Detailed discussion of products and outlook — New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

P. R. Mallory & Co., Inc.—Analytical discussion — **Steiner, Rouse & Co.**, 25 Broad Street New York 4, N. Y.

Michigan Chemical Corporation —Report on interesting growth possibilities and post-war outlook —Kneeland & Co., 141 West Jackson Boulevard, Chicago 4, Ill.

National Radiator Co.—Analysis, for dealers only—**C. E. Unterberg & Co.**, 61 Broadway, New York 6, N. Y.

New York Curb Exchange Common Stocks With Long Dividend Records—Tabulated list—**Herbert E. Stern & Co.**, 30 Pine Street, New York 5, N. Y.

Pfaudler Co. — Recent analysis discussing outlook for the company which manufactures glass lined and stainless steel tanks and equipment — **Caswell & Co.**, 120 South La Salle Street, Chicago 3, Ill.

Pittsburgh Railways — Current study—**First Colony Corporation**, 70 Pine Street, New York 5, N. Y.

Public National Bank & Trust Company—Analysis and current notes—**C. E. Unterberg & Co.**, 61 Broadway, New York 6, N. Y.

Schenley Distillers Corporation —Brochure of articles they have been running in the Chronicle—write to Mark Merit, in care of **Schenley Distillers Corporation** 350 Fifth Avenue, New York 1 N. Y.

Seaboard Railway Company—Complete arbitrage proposition on request—**Sutro Bros. & Co.**, 120 Broadway, New York 5, N. Y.

Seatrain Lines, Inc.—Memorandum for brokers and dealers only —J. W. Gould & Co., 120 Broadway, New York 5, N. Y.

Thermatomic Carbon Co.—Circular on interesting possibilities—Hoit, Rose & Troster, 74 Trinity Place, New York 6, N. Y.

Also available is a memorandum on **American Bantam Car** and a new analysis of **Panama Coca-Cola.**

Van Dorn Iron Works—Report —**Hughes & Treat**, 40 Wall Street, New York 5, N. Y.

Winters & Crampton Corporation—Memo on current situation —First Colony Corporation, 70 Pine Street, New York 5, N. Y.

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Pennsylvania Securities Section on pages 2512 and 2513.

Final Edition — ESTABLISHED OVER 100 YEARS — In 2 Sections—Section 2

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 161 Number 4392 — New York, N. Y., Thursday, June 7, 1945 — Price 60 Cents a Copy

The Financial Situation

Neither Agreements Reached at San Francisco Nor Mechanisms There Devised Will Have Much Bearing on the Course of World Affairs or in the Maintenance or Break of World Peace.

What happens when the dreams of idealists and the realities of world politics collide may be plainly observed in San Francisco. From the developments in that city it should not be difficult to infer what the result would likely be in the future when the mechanisms of the idealists run afoul of the ambitions, the fears, the suspicions, the intrigues, and the hatreds in which international relations among the leading powers of the world have always been more or less continuously submerged. We should be rather more than foolish not to take all this into full cognizance these days when there is scarcely a politician alive not engaged more or less continuously in harangues about permanent or lasting peace in the decades and even the centuries ahead.

Less Important Than Supposed

The people of this country — it is not altogether clear that the same situation exists among the rank and file in any of the other major powers represented at San Francisco—have now been told so often, so emphatically and by so many that the future peace of the world depends largely if not wholly upon whether a peace-keeping mechanism of some effective sort can be contrived at San Francisco, that they are in danger of believing it. One result is that we have become almost morbid on the subject, and apparently inclined to insist upon some sort of formula, however meaningless.

This general attitude may possibly be rather more that of the politician than of the man in the street, but there can be no question that it is as always the man in the street that

(Continued on page 2536)

Keynes Contrived International Monetary Scheme

By Hon. FREDERICK C. SMITH
Congressman from Ohio
Member, House Committee on Banking and Currency

PART III

Congressman Smith Concludes His Analysis of the International Monetary Fund by Pointing Out That the British Empire and Russia Will Have Control of the Governing Board, and That By Virtue of Britain's Richer Experience in and More Abundant Facilities for the Handling of International Trade and Finances, That Country Will Exert a Preponderant Influence on the Funds Operations. He Asserts That the Control of Foreign Exchange and of Capital Transfers by the Fund Will Result in Regimentation of All International Transactions, Such as Was Practiced by Nazi Germany.


Frederick C. Smith

Bretton Woods and Lord Keynes' Plans for Selecting Executive Directors and Governing Board Respectively Compared.

Fig. 12
Keynes' Clearing Union
Article II, Sec. 6 (12)

"The Governing Board shall be appointed by the Governments of the member States, those with the larger quotas being entitled to appoint a member individually, and those with smaller quotas appointing in convenient political or geographical groups, so that the members would not exceed (say) 12 or 15 in number."

Fig. 13
Bretton Woods
Article XII, Sec. 3

"There shall be no less than 12 directors * * *.

"Five shall be appointed by the five members having the largest quotas.

(Continued on page 2538)

Post-War Aviation Control

By EDWARD A. MOREE*
Vice-President, Transportation Association of America

Transportation Expert Recommends That (1) All Discrimination Against the Ownership and Operation of Airlines Be Abolished; (2) That the Regulatory Powers of the Civil Aeronautics Board Be Transferred to the ICC; and (3) That the Federal Government Exercise a Closer Supervision Over Contracts Between Airport Authorities and the Users of Airport Services. Favors Private Investment in and Private Operation of Airlines Without Discriminating Government Subsidies, and Calls for Elimination of Prohibition Against the Ownership and Operation of Airlines by Other Types of Transportation. Says There Should be Coordination of All Transportation Systems and That Railroad and Air Services Are Not Highly Competitive.

The recommendations which I am privileged to offer for your consideration are those of the Transportation Association of America insofar as the Association's recommended policy applies to the group of bills for an airport development program which you have under consideration at this time, and HR 674, providing extensive amendments to the Civil Aeronautics Act of 1938.


Edward A. Moree

The Association summarized its nine years of research into the transportation problem in January, 1944, and in January, 1945, recommended as follows:

1. That regulation be designed solely from the viewpoint of assuring the shipper and consumer of the most dependable and efficient services, *regardless of the type of the facility*, at the lowest rates consistent with affording a fair opportunity for the investor to earn a reasonable return upon private capital, prudently used.
2. That national policy provide for the orderly and gradual reorganization of common carriers so that the industry, as a whole, will become responsive to efficient regulation.
3. That regulated transporation be excluded from anti-trust laws when methods, acts, or proposals of carriers are subject to the supervision of the regulatory authority.
4. That regulation and promotion of all common carriers be centralized in a single independent Federal agency reporting directly to Congress.

Shippers and consumers are not primarily concerned with the *type* of facility which transports their goods, but rather in the adequacy, efficiency, convenience, and the cost of such services. The shipper is not interested in promoting one form of transportation facility against another; he should not be required to pay the cost of resultant duplications and wastes.

Equality of regulation is not possible so long as each facility is kept in its separate legislative strait-jacket. This adds up to the fundamental issue of the present-day transportation problem. Are we to continue a philosophy of national policy which places Government financing derived from taxation of the whole public, and *which need earn no return*, in competition with private investment, *which must earn a return?*

5. That common ownership and operation of all types of facilities be permitted and encouraged rather than restricted and prohibited. It submits that

*Statement by Mr. Moree before the House Committee on Interstate and Foreign Commerce, June 5, 1945.

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GENERAL CONTENTS

a Not available this week.

*These items appeared in our issue of June 4, on pages indicated.

Nor an Ogpu, Either!

"Secretary Morgenthau has told me about the truly shocking cases of tax evasion his men have discovered. I am thoroughly in sympathy with his plan to enlarge the Bureau of Internal Revenue forces to whatever extent is required to insure full compliance with the law.


President Truman

"It will be good business for the Government, because every dollar we spend in collection and enforcement will produce $20 or more in revenue. And much more important is the matter of good morals. We are not fighting this war to make millionaires, and certainly we are not going to allow the black market operators or any other racketeers to be in a favored class, when the men in the armed forces, and our citizens generally, are sacrificing so heavily.

"The top officials of the Civil Service Commission have been acquainted with our special tax drive and the necessity for an accelerated program of recruitment. Arrangements have been made with the Civil Service Commission to have placed at every Army discharge center in the United States a qualified recruitment officer from the Civil Service Commission, fully versed in our recruitment requirements, who will steer to us qualified veterans as they are discharged.

"The American people understand that sacrifices are necessary. They know the war is still far from being over. The one thing that might break down their will to keep on to complete victory would be a

(Continued on page 2536)

From Washington Ahead of the News

By CARLISLE BARGERON

President Truman dropped in unexpectedly on a party that was being given by Washington newspapermen for Steve Early last Saturday night, and immediately became one of the fellows. Everybody was glad to see such a jolly good fellow present and gathered around to shake hands with him. His Secret Service attendants became excited, and one of them stepped in to regulate the handshaking. Whereupon, Mr. Truman shook hands with him. The Secret Service man was quite nonplussed. A few nights before the President had gone out to the Burning Tree Country Club, from whence Eisenhower with his association with Steve Early, sprung, and had a crackerjack time with his old pals.

Carlisle Bargeron

Stories like this are springing up nearly every day about the new President. Just a plain old American, we are being told. Over in Arlington County, Virginia, just across the river, the good ladies of the Baptist Church were thrilled at one of their denomination ascending to the Presidency, and they sent around letters to their fellow worshippers, pointing out that Mr. Truman was one of them and calling attention to the fact, if it was a fact, that he had announced he intended to hold onto his Baptist affiliations. His wife and daughter, it seems, are Episcopalians. But Truman, supposedly having announced he intended to remain a Baptist, the Arlington County Baptist ladies asked their fellow worshippers to pray for him. We are told by one of these ladies that they have been watching ever since to see if he slips from grace and comes under the Episcopalian influence of his two womenfolk. This lady reports that on one occasion he attended services at Walter Reed Hospital and the second time at a non-denominational church. So the Arlington County Baptists are so far satisfied.

Margaret, the daughter, has been instructed not to let herself be photographed with a drink in her hand. We don't know, frankly, whether the young woman is given to taking a highball or so. Her old man likes one.

The Roosevelts didn't give a darn about this stuff. They didn't worry about divorces in the family, stories of carousal by members of the family, about which church they attended or whether they ever attended church. In fact, quite an attack was made once on Mr. Roosevelt because he improvised a prayer on the occasion of D-Day in Europe. The Roosevelts were different.

Theretofore, of course, a divorce in a politician's family, a story or picture of drinking, was supposed to be political poison. The question of his church attendance was highly important.

The Roosevelts created so much confusion, however, that the public couldn't keep its mind on such things as this. Its attitude towards the late President apparently was that he could be an infidel if he wanted to because he was doing such "brilliant" things. Or it had no time, in the excitement which he created, to think of his personal life.

It seems that this is to be different with Truman. To that extent we have returned to normalcy.

But there are those around here who are beginning to wonder just what that means. Under the graciousness and good fellowship of Mr. Truman there are some who think the New Deal still packs a wallop, possibly one more dangerous than the one it packed under the former President in his latter days.

Mr. Truman has sent up a message to Congress asking for new consideration for those gallant people who have gone out to the war plants and made around $100 a week during the war. They are soldiers, too, he says. He is concerned about their being displaced and inconvenienced in the war transition and he wants the unemployment benefits for them raised. The only outraged comment on this proposal, and it has been lying around for a long time —Mr. Truman has just given it his support—was by Westbrook Pegler who thinks these people should have saved some of their inflated earnings and who had understood that with the reports of their buying bonds, that is what they were doing.

No general outcry has come against Mr. Truman's message, however. Our observation is that it has aroused little comment one way or the other. Undoubtedly had Mr. Roosevelt submitted such a proposal, there would have been tremendous agitation for and against.

Then, along comes Judge Vinson, the economic stabilizer, to endorse the Wagner-Murray-O'Mahoney, and there is still another co-author of it, bill, providing for the national budget; that is, a plan by which the Government at the beginning of the year, assays the probable national income and the employment needs, and does what is necessary to fill in the gap. We say Judge Vinson, stolid citizen, old school Kentucky Democrat, who wouldn't harm the American system for anything in the world, endorsed the bill. The Democratic National Committee tells us this is what he intended to do. From reading his concern for the preservation of Free Enterprise, we had wondered whether he wasn't just double talking. Even the Judge's message, however, arouses no excitement. Truman is rock-bottom in the country's opinion, and there's no need for anybody to be worried about any anti-American stuff any longer.

We have been thinking that this was true, on the grounds that it made no difference what sort of a radical proposal Truman, or Vinson, or anybody else submitted to Congress, or how radical they talked, because they lacked the dynamic leadership of Roosevelt, and a Conservative Congress would do what it wanted to do.

Now, however, we are being warned to watch out for the fact that just as Truman lacks Roosevelt's dynamic leadership, so is Congress not inclined to watch him so closely and to be so closely on its guard. They don't look upon him as a man seeking all the power in the world and are more inclined to go along with him. Because he is a rock-bottom American, a Baptist, a Mason and his daughter isn't going to hold a highball glass in a photograph. The funny thing about it is that we know of a lot of Conservatives who say that it may be pretty rotten to give the warworkers increased unemployment compensation but if you don't do it, how are they going to have enough money to spend to prevent a depression. We are all afraid of that.

Senate Rejects $2,500 Pay Increase Voted By House Members

By a vote of 43 to 9 the Senate rejected for its members any pay increase or expense allowance, but did nothing to interfere with the $2,500 annual tax-free allowance approved for themselves by House members, the Associated Press reported from Washington, May 28, and continued:

Senator Edwin C. Johnson, Democrat, of Colorado, proposed to strike the House members' allowance from the $51,000,000 legislative appropriations bill but on a roll call vote his motion was rejected by 28 to 22. The Senate then passed the bill by a standing vote.

This left the $2,500 House allowance in the measure in a parliamentary situation where it cannot be taken out in conference when a joint House-Senate committee undertakes to compromise differences.

Most of those voting to let the House members have the $2,500 left no doubt they were moved by the old understanding of comity—that one chamber does not interfere with what the other says it needs in appropriations.

Privately, some of the Senators were wondering, however, whether they had not "sawed a limb off" behind the House. They questioned whether the political reaction would not be adverse for House members who took an allowance the Senators were unwilling to approve for themselves.

Senator Styles Bridges, Republican, of New Hampshire, arguing for upholding the principle of comity, asserted that "in the history of the country the House has stood on its own and the Senate on its own. If the House has the courage to vote its members an allowance they should have it," he added.

The New Hampshire Senator, who had urged a similar allowance for Senators, asked whether his colleagues wanted to make the Senate a "millionaires' club," open only to men who inherited wealth or married wealth.

Although refusing any pay increase for its members, the Senate approved a boost from $4 to $5 a day in pay for its pages and made minor increases for the Capitol police force and some other Capitol employees.

The Senate took four separate votes to decide it would make no move to improve the financial situation of its members:

Alben W. Barkley, of Kentucky, majority leader, advanced a proposal for $1,500 tax-free expense money as a possible compromise on which Senate and House could agree. He argued this would be in effect the 15% increase in wages allowed under the "Little Steel" formula. This was rejected on a voice vote.

A 43-to-9 roll call vote turned down an amendment from the Senate Appropriations Committee to give Senators $2,500 expense allowance, subject to taxes:

The Senators knocked down, 38 to 13, a committee proposal which would have allowed the members to deduct from income tax returns all expenses for lodging and subsistence while away from their home states on Congressional business.

Finally, they defeated, 38 to 12, an amendment by Senator Bridges for a flat $1,500 pay increase subject to taxes.

Taylor to Return to Post

Although it is reported that Myron C. Taylor, the President's personal representative at the Vatican, is returning to this country for a visit, the White House states, according to the Associated Press from Washington May 31, that he will be here merely on leave of absence and, after reporting to the President on his mission, would return to Rome.

State of Trade

There is growing evidence that our reconversion program is encountering difficulties that may well delay indefinitely our return to peacetime production, unless, as Burnham Finney of the "American Machinist" observes, the major uncertainties presently plaguing the machine tool situation are promptly cleared up.

This opinion, according to Mr. Finney in a recent article on the subject, was in a large degree shared the past week by tool builders and the auto industry as the status of $70,000,000 in Russian tool orders remained in doubt, and the AA-3 priority assigned for reconversion tools continued to be inadequate in certain cases.

President Truman, this trade authority notes, has indicated that Russian shipments would be continued "to the extent agreed upon until the protocol lapsed." However, it continues, "the Russians were assured prior to VE-Day that those lend-lease tools not delivered to them by June 30, 1945, the end of the current protocol year, would be delivered by Sept. 30, 1945. Thus, the President's statement leaves the status of tools scheduled for delivery during the third quarter up in the air, and that probably involves some $40,000,000 in Russian tool orders."

Doubt over the status of the Russian business, according to Mr. Finney, hinges on the question of whether or not the Russians will declare war with Japan. Should they decide to do so, there would be no reason for holding up lend-lease tool shipments. In the event they do not, but international matters dictate that we continue such shipments, then again, such business would not be disturbed. These considerations, the article adds, do not hold up any official decision on the matter, but make for confusion over the reconversion tool situation.

The largest cancellations of military orders the industry has had in many months, the magazine reveals, were witnessed in April. These cancellations amounted to $26,562,000, leaving the industry with a backlog of $287,920,000, as compared with $309,650,000 at the end of March. New orders of $43,965,000 dropped below March's $52,536,000 total, although shipments of $40,331,000 were slightly above March's $39,374,000.

Notwithstanding sharp cuts in military orders in April, the industry, the magazine reports, is confronted with seven months' business on hand, with AA-1 military and Russian orders still obstructing reconversion tools. Reports from Detroit indicate that several auto companies have still been unable to secure assured delivery on hundreds of needed machine tools, according to this authority.

A factor frequently overlooked is the continued placing of new military orders for tools required in plants in war production, as replacements, and for various new and special war uses. However, as pointed out in the article, dwindling orders on some types of machines enable tool builders to even fill low-rated orders, but critical spots remain in special items. It was also noted that presses continue to be in a tight position.

Labor, together with the critical position of tin, rubber, lumber and textiles, may also prove a reconversion stumbling block, since unions have already stated their intention of seeking wage increases to offset the elimination of overtime in any logical return to the 40-hour week. The OPA's continued tight control on prices, Mr. Finney concludes, "may tie up some reconversion if wages are lifted and manufacturers must wait for price relief to offset higher wage costs."

Steel Industry—The progress of cancellations in the steel industry the past week was on a gradual and orderly basis, permitting steel producers to rearrange their schedules without too much confusion, "The Iron Age" reports in its current survey of the steel trade. The bulk of steel cancellations, as a result of military cutbacks, are still to come. In the case of one mill cancellations received during the past two weeks approximated 25% for armor plate and 10% for shell steel. The remainder affected orders calling for deliveries throughout the rest of this year.

Present indications point to a longer period of transition from a higher war production level to a lower one than was expected a few weeks ago. As fast as orders are taken off mill schedules, other orders involving war material or war supporting products are immediately substituted. Because of this situation there is a question as to the amount of steel that may be available for civilian purposes after July 1. The possibility exists that there is apt to be at least in July and August a smaller amount than some consumers have been lead to believe.

Unrated civilian orders for delivery are not receiving much consideration these days on steel mill schedules despite continued pressure by the automobile industry and manufacturers of the more important household appliances, according to the magazine. Openings for plates and structurals in the third quarter seem probable, but mill officials are reluctant to schedule unrated orders so far in advance for fear CMP rated buying may later shove them aside with consequent embarrassment.

Sheet steel schedules the past week were still tightly packed through the third quarter with CMP tonnage, causing uncertainty over the possibility that automobile makers may obtain much if any sheet tonnage before the last three months of this year. The carryover from May into June of undelivered sheet tonnage for which earlier delivery had been promised is estimated at around 300,000 tons—an amount sufficient to take care of the automobile industry's entire scheduled 1945 production, "The Iron Age" states.

"The availability of labor," the magazine points out, "may be the key, more than the steel supply, as to when civilian production can get underway in full force. Heavy contract cutbacks in the Chicago area for instance will result merely in transferal of labor from arms output of one type to plants producing other types of direct or indirect war equipment. Farm equipment and railroad car builders are showing concern over this particular possibility. Although the automotive industry and appliance groups have been rather active in placing unrated orders, other civilian manufacturers have shown hesitancy in doing likewise on a large scale because of the clouded labor availability picture."

Steel cancellations have expanded to a daily figure about 50% greater than that which was current on VE-Day, "The Iron Age" notes. As a consequence, net steel orders are running from about two-thirds as great as shipments for most producers to about 100% of shipments for certain heavily loaded mills. For the industry as a whole, May will probably be the first month in many in which total shipments have exceeded orders.

The American Iron and Steel Institute announced last Tuesday that the operating rate of steel companies (including 94% of the industry) will be 91.1% of capac-

(Continued on page 2543)

House Passes Trade Pact Extension Measure

By a vote of 239 to 153 the House passed the bill to extend and broaden the Reciprocal Trade program and defeated all the Republican amendments which sought to limit the effects of the legislation, advices to the New York "Times" from Washington stated on May 26. There was considerable controversy before final passage, and for a time the issue hung in the balance while Democratic absenteeism aided the fierce Republican opposition.

The principal bone of contention centered round a proposal by the late President Roosevelt, and supported by President Truman, to give the Chief Executive new and broader powers to trim tariffs in reciprocal trade agreements with other nations.

Specifically, according to the Associated Press reporting from Washington, May 26, the measure would extend the Reciprocal Trade Act of 1934 for three years beyond the June 12 expiration date, with an amendment empowering the President to cut duties up to 50% below the rates prevailing Jan. 1, 1945.

Under the present law the President can trim tariffs, in exchange for concessions by other countries, up to 50% under the rates stipulated in the last Republican tariff act, the Hawley-Smoot Law of 1930.

Before it was possible to rally sufficient support for the measure to assure its approval by the House, President Truman sent a strong appeal for its passage addressed to Speaker Rayburn which the latter read from the floor. The President's message read, according to the New York "Times" report:

"My dear Mr. Speaker:

"Supplementing our conversation yesterday, I wish to repeat that I regard the pending measure for the renewal and strengthening of the Trade Agreements Act as of the first order of importance for the success of my administration.

"I assume there is no doubt that the act will be renewed. The real question is whether the renewal is to be in such form as to make the act effective. For that purpose the enlargement of authority provided by Section 2 of the pending bill is essential.

"I have had drawn to my attention statements to the efect that this increased authority might be used in such a way as to endanger or 'trade out' segments of American industry, American agriculture or American labor. No such action was taken under President Roosevelt and Cordell Hull and no such action will take place under my Presidency."

Three of the proposed amendments were declared by Administration leaders, according to the "Times" report, to mean mortal wounds for the reciprocal trade program.

One, the report stated, by Representative Knutson (R.-Minn.), would have cut the period of extension of the act from three years to two. This fell, 135 to 152.

Another, regarded by the Administration as the most damaging, also offered by Mr. Knutson, would have eliminated the Administration's power to make tariff reductions beyond those already in effect. This was defeated 174 to 197.

The third of the major amendments offered by Representative Gearhart, Republican, of California, would have given Congress a veto power over all trade agreements. This failed, 106 to 125.

Other amendments were thus disposed of:

By Representative Bailey, Democrat, of West Virginia, to exclude hand painted earthenware and pottery from the reciprocal program, killed by voice vote.

By Representative Reed, Republican, of New York, to kill the bill by striking out the enacting clause, lost by voice vote.

By Representative Judd, Republican, of Minnesota, to reduce to 25% instead of 50% the Administration's power to make further tariff cuts, defeated 81 to 108.

By Representative Case, Republican, of South Dakota, to reduce this power 10%, killed by voice vote.

By Representative Bailey, Democrat, of West Virginia, to write into the law the escape clauses which are administratively included in trade agreements, killed by voice vote.

By Representative Pace, Democrat, of Georgia, to prohibit the importation of any agricultural commodity which could be sold at a price lower than the "support" price being maintained for American production, killed by voice vote.

By Representative Nelly, Democrat, of West Virginia, another effort to exclude pottery and glassware killed by voice vote.

By Representative Gearhart, to prohibit the Administration from applying the most favored nation principle—that is, to prohibit it from granting to all foreign customers the concessions granted to one customer with whom the United States makes a direct agreement—killed by voice vote.

By Representative Reed of New York, to grant to business men protesting a tariff program the privilege of going to court to challenge it—, killed by voice vote.

By Representative Barrett, Republican, of Wyoming, to establish a mandatory quota control in behalf of the American wool raiser—, killed, 110 to 135.

The most important amendment knocked out by point of order was one by Representative Bates, Republican, of Masachusetts, to bar the importation of goods that might be sold in this country at a price lower than the American cost of production.

Upon the House's passage of the bill, Joseph C. Grew, Acting Secretary of State, made the following comment:

"The vote in the House of Representatives today on the trade agreements program will hearten every friend of international cooperation. The power granted by this legislation, wisely used, can greatly promote prosperity in the United States and throughout the world."

It is generally conceded that the legislation will meet with stiff opposiion in the Senate, and Administration supporters are already preparing themselves for a fight of considerable proportions.

(Previous reference to House action on the tariff extension proposals was made in our issue of May 24, page 2313.)

Senate Group Votes to Continue OPA

The bill to extend price and wage controls for another year has been approved by the Senate Banking Committee, according to advices to the New York "Times" from Washington, May 29. Amendments were turned down which would have limited the extension to six months and forced revision of OPA price policies on agricultural commodities.

It is expected that the bill faces a battle on the Senate floor, the chief issue being an amendment sponsored by Chairman Elmer Thomas (D.-Okla.) of the Senate Agricultural Committee which would force the OPA to guarantee a "reasonable" profit to processors of agricultural products.

Senator Robert F. Wagner (D.-N. Y.) told reporters, after an executive session at which Price Administrator Chester Bowles and Economic Stabilization Director William H. Davis testified, that food price controls would probably have to be retained until 1950, according to United Press statements from Washington on May 30.

Trade-With-The-Enemy Curbs Now Eased

The Treasury Department, in an amendment to General Ruling No. 11 of its trading-with-the-enemy regulations, has removed from the "enemy territory" category Norway, Denmark, the Netherlands, Czechoslovakia, Yugoslavia, Danzig, Austria and Albania, according to the Journal of Commerce from Washington, May 28.

Treasury licenses will not be needed for the transmission of messages of a financial, commercial or business character which are limited to the ascertainment of facts and exchange of information. However, communications which constitute or contain instructions or authorizations to effect financial or property transactions will continue to require Treasury license. Attention was directed to General Licenses Nos. 72A and 89, which authorize certain transactional commnications relating to patents and the protection and management of property located within foreign countries.

It was stated that remittance facilities to many of the areas are not yet available. When these facilities are established, General Licenses Nos. 32 and 33 will permit the sending of support remittances up to $500 a month through banking channels. Under Public Circular No. 28, which was also issued today, these general licenses will not apply to Austria. However, the restrictions on the use of currency, money orders, checks and drafts for remittances still remain in effect for all liberated areas.

Treasury officials emphasized that communication services with a number of the liberated countries have not actually been reopened. As soon as arrangements for transmitting transactional communications are established with any country affected by today's action, the Treasury Department will be prepared, in appropriate cases, to license withdrawls from blocked accounts in the United States to pay claims against persons in the country involved. In general, an application for such a license should be supported by a payment instruction or other acknowledgement by the debtor executed after May 29, 1945. If an application is based on a court judgment, evidence should be submitted that the debtor has received actual notice of the proceedings and has had a reasonable opportunity to appear.

Ill. and Wis. Loans High

April was the most active loan month so far in 1945, A. R. Gardner, President of the Federal Home Loan Bank of Chicago, reported on May 28 to the Federal Home Loan Bank Administration at Washington. Advances to Illinois and Wisconsin savings, building and loan associations were $1,416,690, a 37% increase over March activity, and more than three times the volume for April, 1944.

Mr. Gardner said that the bank which supplements the savings invested locally in these thrift and home financing institutions has had only one April in its 12-year history in which a larger sum was advanced. That was in 1943, when advances reached $2,135,333.

He expects the demands for funds from this regional reserve institution to run consistently ahead of last year from now on. The post V-E relaxation of War Production Board restrictions, coming first in materials for modernizing and repairing homes, and the already provided for veterans' priorities on home building materials voted in the Appropriations Act just signed by the President, are among the factors which will give these local home lending institutions need for more funds, some of which will be obtained from their Federal Home Loan Bank, he said.

Bowles Offers Suggestions for Closer Relationships Between Exec. Offices and Cong.

In Statement to Joint Committee on Reorganization of Congress, He Lists Seven Recommendations

Chester Bowles, OPA Administrator, appeared before the joint committee of both Houses of Congress conducting hearings on Congressional reorganization and proferred seven suggestions for promoting a closer relationship and improved cooperation between the Executive department and Congress.

Mr. Bowles said: "I offer my own comments on the problems facing this Committee with considerable humility. Fifteen years in my own business before the war and three and one-half years as a government wartime executive have taught me that the problems of administering any large operation, either private or public, are never simple. Our intensified experience during the war has taught us a great deal about government administration itself. We have learned some things that needed to be learned. It is fair to say that we have crammed into the three war years experience in government administration that would normally have been spread over a generation.

"In the years to come," continued Mr. Bowles, "both our economic and social democracy will be on trial—not only here in America, but all over the world. The people of many nations—some skeptically and some hopefully—will be watching to see what we do, and what we fail to do. If, as we approach these problems of peacetime, we fail to allow for enough government, we may end up by having too much. If our government is unable to carry the responsibilities which we as a people place in its hands, tens of millions of people everywhere will begin to lose their faith in effective democracy. For all these reasons, the Committee has selected a most opportune time to examine the operation of Congress and its relationship to the Executive Branch of the government."

Mr. Bowles then offered seven separate suggestions which he said were mostly closely interrelated. These were:

1. A program to streamline the executive agencies

During the next two years, the responsibilities of the various wartime agencies will rapidly lessen. The rate by which the workload diminishes will vary between agencies. As quickly as the workload drops below the level requiring specialized attention, I feel that these war agencies should be incorporated into th old-line executive departments.

2. An adequate staff for all major Congressional Committees

The responsibilities which these committees carry today are tremendous. With so many Senators and Representatives serving on several committees, each dealing with vital phases of our national affairs, it is impossible for the average member to keep thoroughly abreast of all the problems on which he is expected to be an expert.

A skilled economic and research staff with expert counsel would be most helpful to the various committee members in digesting the material on which policy decisions must be made. The Executive Branch of the departments and bureaus have such staffs. There is no reason why the Congressional committees should not be at least equally well equipped.

3. A Congressional "Advisory" Committee for each Executive Department or Bureau

A year ago I proposed to the Senate and House Banking and Currency Committees which consider the OPA legislation a series of informal monthly meetings between the OPA executives and the members of the two committees. I suggested that these meetings should be held with the joint committees on a monthly basis or on alternative months with each individual committee. In a sense, we would work with this "parent" committee or committees as administrative heads of a large business work with their board of directors.

If this proposed plan were established as a general policy, each government bureau or department would have its own Congressional group to which it would regularly report. With regular monthly meetings, each group would be kept fully informed on the attitude and points of view of the other.

4. An opportunity for agency heads to meet directly with Congress

As Administrator of a government agency, I would personally welcome the procedure suggested by the Kefauver Amendment. If the head of each agency had an additional opportunity to appear personally before Congress and to answer questions on his operation, I am confident a great many misunderstandings would vanish. If members of Congress at regular intervals could come face to face with the heads of the executive departments, they could learn at first hand something of the problems to which solutions must be found.

5. A larger personal staff for members of Congress

Members of the Senate and the House are the major contact between their constituents and the Federal Government. As a result, they receive each year many thousands of letters and requests for special information.

In my opinion, a good part of the load which every conscientious Senator and Congressman faces at present could be handled by a capable assistant who would represent the Senator or Congressman in his dealings with various government agencies on matters affecting his constituents. Another capable staff member should, it seems to me, be available to study legislation and to develop research and speech material.

6. Bringing more capable people into government

During the last generation, and particularly during the war years, many capable men have been introduced to government work, both in the legislative and the executive branch. This trend, it seems to me, must be encouraged in every way possible.

7. A public information committee

As a final point, I would suggest a Public Information Commiteee established in the Congress. It is an old true saying that democracy thrives on knowledge. Given full information, I have an abiding faith in the capacity of the American people to arrive at correct decisions. The Congress, as the people's representative, could guarantee the free flow of this information. If a Public Information Committee could sift the product of studies by other committees and report accurately such findings, I think the results would soon be felt.

The Financial Situation

(Continued from first page)

the politician is chiefly concerned about. It is not unlikely that the state of mind in this country concerning the doings at San Francisco is in very substantial part an outgrowth of a "sense of guilt" over our attitude toward world affairs after World War I, which the Roosevelt Administration carefully cultivated for years on end. Of course, our "sins" of the 1920s and early 1930s — and being human we have our due quota of transgressions to regret—are of an order quite different from that indicated in New Deal propaganda, and they have very little to do with anything which is taking place in San Francisco today.

But however all this may be, however false impressions and unsound beliefs may have come into being, the attitude of the national Administration, of a great majority of the politicians, including a majority of the so-called opposition party, and apparently of most of the people of this country — if one may judge from what one sees in print and hears on all sides—is very seriously to be regretted. In the first place it is now evident that not a great deal of real consequence will be accomplished at San Francisco. This paucity of real accomplishment may lead to a propaganda campaign designed to disguise this "failure," to make whatever is accomplished appear of far greater significance than is really the case, or it may give rise to a wave of pessimism, ill-will and cynicism in this country which would be all too apt to lead to policies of real isolationism—as opposed to the phony kind against which so much is being said these days — and to other types of action which would do neither the world nor us any great good.

The Essential vs the Incidental

But even in the absence of such developments as this, the whole course of events at San Francisco, including particularly the danger of failure which is at this time quite evident, have tended and are today tending definitely and regrettably to divert thought about the future peace of the world from the essential to the incidental and mechanistic. At the risk of being considered unpatriotic, a "die-hard," or something else unpleasant, we venture the idea that neither agreements reached at San Francisco nor mechanisms there devised will in the years to come be of very much consequence in the determination of the course of world affairs or in the maintenance or breach of world peace. Avoidance of another "World War" within the life span of any of us now living will, in our view, be achieved, if achieved at all, in a wholly different way and rather largely if not wholly independent of the goings on in the West Coast city.

If we may assume that presently Japan will be as thoroughly defeated as was Germany, and that both Japan and Germany will be placed in a position in which they can not again wage large scale war, and kept in such a position for, say, a half century or so, the only danger of war on a world-wide, or even a very large scale within that period will depend first, upon whether the United States, the British Empire and Russia find it possible to live in peace with one another. Indeed, whether or not Germany and Japan are effectively rendered impotent over a long period of years will depend in large measure upon this same thing—the ability of the so-called "Big Three" of this day and time to live in harmony. It is conceivable, of course, that France may recover a world position sufficiently important and influential to be the instrument through which the peace of the world is again shattered sometime during the next half century, but the French, though far from friendly to the British, and certainly now acting in a strange manner upon many occasions, are not likely to be in a position to risk anything in the nature of a major war for a long, long time to come unless they have someone of the Big Three on their side—which would of course mean that somehow, somewhere, the United States, Great Britain and Russia had "parted ways."

It is conceivable, too, that China might rise to such eminence within the next four or five decades and acquire so aggressive an attitude that she could menace the peace of the world directly, but it is obvious that such is not very likely to be the case, and that the real danger in China—granted Japan definitely out of the picture—is that, as has so often happened in the past, the great powers, this time the United States, Great Britain and Russia, will fall out among themselves about "concessions" and other things of value to be obtained from China and from the Chinese. So the matter here, too, comes down in the end to whether the Big Three can get on together through the decades—as it does at almost every point. Let it be carefully observed that the "little wars" which in the past have threatened to become great wars, or even world wars, have acquired their importance by reason of the conflicting interests of great powers in the locality or the issues involved in these (of themselves) minor conflicts.

The Real Factors

Now we venture the suggestion that whether or not the British Empire, the United States and Russia can live peaceably together during the next half dozen decades will be little influenced by any mechanism brought into being at San Francisco—and probably little by any agreement reached in that city. The difficulty being experienced in reaching understandings at vital points simply reflects differences either in interests or in suitable ways and means of protecting these interests. This is wholesome enough in a sense. It reflects a determination not to enter agreements which future conditions would not permit the parties thereto to honor.

But it likewise reminds us that factors far more powerful than mechanism are certain to control the future.

Air War Conference To Show New Technic

The Aviation War Conference of the American Society of Mechanical Engineers, to be held here June 11 to 14 at the University of California at Los Angeles, will bring together in the four evening sessions of the program some of Southern California's outstanding technical men in the aircraft industry. New aircraft techniques and a projection of post war plans for the industry will be discussed in 38 papers at 16 separate meetings. The Conference is under auspices of the Southern California Section of the ASME. Sessions, starting at 7 P.M. each evening, are open to the public.

Dr. Clarence A. Dykstra, Provost of the University of California at Los Angeles, will address the opening session Monday evening, June 11. The Society and the University are cooperating in a Conference as a contribution to the war effort.

Following Dr. Dykstra's address there will be two papers on gas turbines and jet propulsion, both illustrated by films. M. J. Zucrow, Executive Engineer, Aeroject Engineering Corp., Azusa, Cal., will discuss "Jet Propulsion Principles and Rockets for Assisted Take-off." Colonel Homer Boushey, Commanding Officer, 412th Fighter Group, Bakersfield Army Air Field, Bakersfield, Cal., will speak on "Jet Propelled Airplanes."

The meetings on Tuesday evening will be devoted to heat transfer, standards and quality control, rubber and plastics, instruments and regulators, and applied mechanics.

A second heat transfer session will be held Wednesday evening, simultaneously with sessions on management, production, metals engineering and a second meeting on gas turbines and jet propulsion.

On Thursday evening, concluding sessions will take up heat transfer, production, hydraulics, applied mechanics and power plants.

Nor an Ogpu, Either!

(Continued from first page)

feeling that a few were profiting from the sacrifices of the many. We must see that there is no justification for any such feeling, and that is just what we are going to do."—President Truman.

The President, of course, is correct in believing that the American people do not wish either tax evaders or "black market" operators.

But there are other things, too, that the American people do not want. It is to be hoped, they will never have to make the choice, but if they do they will prefer tax evaders to a Gestapo and "black market" operators to an Ogpu.

While we feel very certain that the President intends no inquisition, a good many recent developments suggest the need of such an observation.

Japan's Economic and Industrial Status

Leo T. Crowley, Foreign Economic Administrator, on May 26 made public the following summary prepared by the Enemy Branch of the Foreign Economic Administration on the present economic and industrial power and capacity of Japan in relation to her ability to conduct the war:

Although Japan has suffered severe military reverses and damaging attacks in recent months, her productive capacity is such that she is still able to wage a long war. A large portion of the war industry she had at Pearl Harbor is intact. At that time, Japanese war industry was organized to operate efficiently in the so-called inner zone of Japan proper, Korea, Manchuria and some parts of North China.

In this zone, industries exist capable of producing for many months finished war products, and in addition key raw materials are available for expanded production. More than one-third of Japanese pig-iron capacity, more than 16% of the steel-ingot capacity, nearly 10% of the rolling-mill capacity, more than half of the coke-oven carbonizing capacity are located in Manchuria, Korea and occupied China. In addition, in these areas, a large chemical industry, arsenals, aircraft and synthetic oil plants, all well organized and well staffed, are important contributors to the Japanese war effort.

In the months following Pearl Harbor the area of Japanese military aggression extended to the East Indies and to Burma. Against the great area occupied by the Japanese, Allied advances have been effective at certain strategic points. The Allies, however, so far have liberated less than seven% of the total of nearly 3,000,000 square miles of conquered territory controlled by the enemy. But we have scored major successes in almost completely cutting Japan off from such raw material resources as rubber, oil tin and fibers that formerly were available to her from the East Indies, Malaya and the Philippines.

Japan, nevertheless, still possesses in her inner zone important raw material resources, substitutes and synthetics. For example, synthetic oil plants were established in Japan proper, Korea, Formosa, Manchuria and China to produce substitutes for natural petroleum, the most critical of the materials from the south. The maximum estimated capacity of these plants in 1944 was more than 21,000,000 barrels of primary oil. With the loss of the major part of her Navy and the reduction of her merchant marine, this quantity may be sufficient to meet requirements for the approximately 2,000,000 tons of Japanese shipping remaining in the reduced area of operations. The loss of the oil of the Indies thus becomes of less importance in terms of maintaining the Japanese war effort.

Similarly, when Japan was cut off from southern areas supplies of bauxite, from which aluminum is made, aluminous ores in Japan and on the continent were developed as substitutes sources of supply. Supplies of the rich iron ore of Malaya and the Philippines have been falling off for many months because of the liberation of the Philippines and transportation difficulties resulting from Allied attacks. These iron-ore supplies are replaced in the Japanese economic war machine by production from newly opened or newly expanded areas in Manchuria and China, and by utilizing, through a new concentration process, the plentiful though relatively poor iron ores in northeast Korea.

With the allied advances in Burma, the available supply of tungsten, lead, zinc and nickel is reduced, but there are stockpiles and other sources of these materials in the inner zone. With the loss of the Philippines, the chrome and copper position becomes more difficult, but not impossible because of substitute metals. Tin and rubber from the south are reported to have been stocked in Japan in quantities sufficient to meet war requirements for many months.

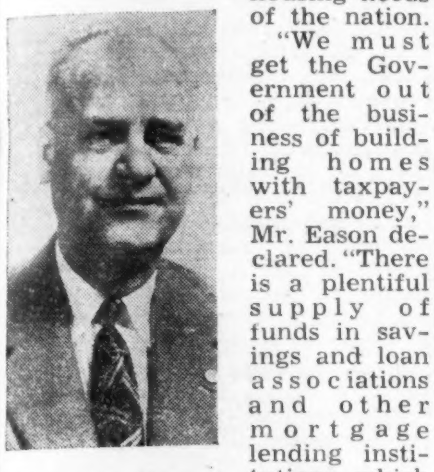
As a result of Allied attacks on the sea lanes to Japan, the rice of Thailand, Burma, now largely occupied by Allied forces, and Indo-China will not be available to the Japanese. This will increase the difficulties of the present short food supply in Japan, but will not seriously interfere with the war effort and will not result in starvation in the inner zone.

Practically the whole of the processing capacity of the Japanese Empire, as well as adequate supplies of raw materials, lies in the inner areas. It is true that in terms of individual industrial centers and plants, bomb damage has been devasting, and many square miles of such cities as Tokyo, Nagoya, Osaka, and Kobe, all vital to Japan's war effort, have been laid waste. Great aircraft planes have suffered irreparable damage; arsenals have been demolished; power plants and marshalling yards have been seriously gutted and disorganized.

To meet this threat from the air, however, Japanese war leaders long ago placed in operation an extensive dispersal program. Plants have been established in secluded localities in some areas protected by ravines and hills, and widely dispersed industries have been developed in Korea, Manchuria and China. In recent months the dispersal program has been accelerated, and in some localities key plants have been put underground.

Private Industry and Home Financing Institutions Can Handle Housing Needs, Eason Declares

WASHINGTON, D. C.—George M. Eason, of Los Angeles, Calif., who took office June 4 as President of the National Savings and Loan League, stated in a message to member savings and loan associations of that trade organization that the government should get out of the business of building homes immediately, declaring that private industry and private home financing institutions can well handle the housing needs of the nation.



George M. Eason

"We must get the Government out of the business of building homes with taxpayers' money," Mr. Eason declared. "There is a plentiful supply of funds in savings and loan associations and other mortgage lending institutions which is more than ample for the largest home building program this country can conceive. There is no sense and no need for the Government to do any more 'housing construction' for persons able to pay for their own shelter."

Taking office at the same time with Mr. Eason, who is President of the Standard Federal Savings and Loan Association in Los Angeles, are the following other officers of the national organization:

Raymond P. Harold, Worcester, Mass., and Curtis F. Scott, New Orleans, La., Vice-Presidents; and John S. M. Glidden, Natick, Mass., Secretary.

The National Savings and Loan League has its headquarters here in Washington where it was stated today that there is a much improved outlook for construction this year. Officials of the League said:

"As it looks now, after discussing the matter with Government officials, there probably will be at least 250,000 homes built within the next 12 months, and if the lumber situation eases, there may be 425,000 homes started or planned for construction in that period.

"Need of the Army for lumber for boxing up its huge supplies in Europe for transfer to the Pacific is the big problem now, but we should know soon how much American lumber will be needed."

The League expects that upwards of 7,000,000 home loans will be made to veterans under the GI Act in the years ahead, and using present statistics as a gauge, estimates that savings and loan associations will make the bulk of these loans. Up to the present time, official figures of the Government show that the associations have made all but a fraction of the home loans approved by the Veterans' Administration.

Airplane Production Cuts Announced by War Dept

Airplane production cutbacks, announced by the War Department, according to advices from Washington to the New York "Times," May 25, will reduce scheduled output over the next 18 months by 17,000 planes. Effect of the cutbacks will be to reduce output in the last half of this year 30% below the first half year; the shrinkage will amount to 40% in the first half of 1946 and 45% in the latter half. The New York "Times" continued the report by stating:

"Decreased requirements because of revisions in lend-lease, brought about by the cessation of hostilities in Europe, are responsible for a substantial percentage of the new production schedule changes," the Army said, adding:

"The remainder of the cutback came from reduction in Air Force requirements for a one-front war. Until the termination of the war in Europe it was impossible to assess accurately how many planes would be available for further fighting."

In a message to aircraft manufacturers and workers, Gen. H. H. Arnold, Commander of the Army Air Forces, praised the industry for furnishing "the planes we asked when we asked for them."

"And you well know the vital part those planes played in winning the war in Europe," he said. "Now, tactical and strategic requirements are changed. Our attrition rate in Europe decreased as the Luftwaffe was destroyed, so many of the planes that fought in Europe will fight again against the Japanese.

"We do not propose to ask for more aircraft than are necessary for successful prosecution of the war. We are, therefore, cutting back production where possible consistent with our goal of winning the war as quickly as possible with a minimum loss of life."

Most of the country's principal aircraft manufacturers were affected in the order, which also emphasized the need for larger planes for use against Japan. For example, production will be centered on the Superfortress B-29, rather than on the other bomber types. Fighter and cargo ships remaining in large production, the Army said, will be those of the long-range types suitable for the Pacific war.

The financial saving involved in the production cuts was not disclosed by the Army, but estimated by other government sources at $4,000,000,000, according to a Washington Associated Press dispatch of May 25, which added:

Combined with a previous aircraft reduction ordered April 18, these sources said the cut amounted to at least 30% on an annual basis. Yearly outlays for aircraft have been running about $15,000,000,000. Applying the 30% to this would give a figure of $4,500,000,000.

Detailed manpower figures were lacking, but War Manpower Commission officials estimated that the cuts would take some 200,000 workers off aircraft plant payrolls by the end of the year in a dozen cities. The number was called an estimate on the basis of incomplete information.

Both Army and production sources emphasized that most of the cuts are on a tapered basis, so that layoffs will be more or less gradual.

One efect of the reduction in plane output will be the release of vast quantities of aluminum, which presumably can go into civilian gods. Another item will be considerable amounts of high-grade steel no longer needed for aircraft. One production source said the release of steel might run to 50,000 tons in the last half of this year.

The revised schedules for individual model planes, according to the above mentioned New York "Times" advices, are as follows:

Boeing B-29—"Production will increase for several months and will be sustained substantially above the present rate of output."

Consolidated B-32—"Production at the Fort Worth Consolidated plant will be leveled off at the current rate for the remainder of 1945, and will terminate at the end of the year. At the San Diego Consolidated plant production will end with this month's output."

Douglas A-26—"Production at the Long Beach, Calif., facility will continue at approximately the present level. At the Tulsa plant production will taper off and terminate by Jan. 1, 1946."

Bell P-63—"Two types of the P-63 are produced at Buffalo, one the regular fighter, and the other a craft to be shot at with frangible bullets, used in training of pilots and gunners.

"Production of the regular fighter will be cut substantially by July and eliminated by Sept. 1. Production of the P-63 equipped with target indicator devices used for training will continue virtually unchanged for the remainder of the year, and on a reduced schedule through the first half of 1946."

Douglas C-47 — "Production of this cargo plane at Oklahoma City will taper gradually until December and continue during 1946 at a rate approximately half that originally scheduled."

Beech C-45—"Made at Wichita, Kan., this plane will continue in production with little change until fall, when the output will begin tapering and continue into 1946 at approximately half the scheduled rate."

Curtis C-46 — "Production at the Louisville plant will end with June's output. The St. Louis plant will terminate final production after June deliveries and resume output of parts only. After June, the C-46 will be produced only at the Buffalo plant, where the output will continue unchanged through June, decline in July and August, and level off at approximately two-thirds of the current schedule rate."

Some B-17's Will Be Made

Boeing B-17—"This plane now is produced at two plants, Douglas at Long Beach and Lockheed at Burbank, Calif. Production at the Douglas plant, where 50% cutback already had been planned, will be tapered further and stabilized by August at approximately one-quarter of the current rate. Lockheed will halt B-17 production in August."

Lockheed P-80 — "Production will continue unchanged at the Lockheed Burbank plant. North American had planned production on the P-80 late in 1945 at its Kansas City plant. Production at Kansas City has been cancelled."

Lockheed P-38—"Production on the P-38 originally had been scheduled to end by 1946. Under the revised schedule, Lockheed will taper P-38 production to zero by November. Consolidated, at its Nashville plant, will terminate production after June."

It was disclosed that new production schedules for propellers and engines also are being prepared.

Censorship Rules Relaxed

Allied censorship regulations have been sharply revised to permit broadest coverage of post-war news from Europe and a general relaxation of news control insofar as military security in the war with Japan permits, the Associated Press reported from Paris, May 31.

Broadly, the instructions call for censorship on only three principal points:

Major troop movements, including the identification of units moving directly to the Pacific or destined for movement to the Pacific, their estimated strength and the like.

Details connected with major troop movements. In addition to routes and method of transportation, it includes hitherto undisclosed tactics and methods and equipment, Allied or German, that might be used against Japan.

Matters of high military importance that may require reference to the Supreme Commander.

"Full Employment" Bill Supported by Fred M. Vinson, War Mobilization Director

War Mobilization Director, Fred M. Vinson, has expressed his full support of legislation designed to alleviate unemployment in the post-war period through a partial planning by Government of jobs and production, according to advices to the New York "Times," from Washington June 3.

The following is the text of the letter, as given by the New York "Times," addressed by Mr. Vinson to Senator Robert F. Wagner (D.-N. Y.), Chairman of the Senate Banking Committee, who is cosponsor of the proposed bill:

This is in response to your letter of April 9, concerning S. 380, a bill "to establish a national policy and program for assuring continuing full employment in a free competitive economy through the concerted efforts of industry, agriculture, labor, State and local governments, and the Federal Governments."

Next to a speedy and complete victory over Japan, a steady, well-paid job after the war is first in the minds and hearts of most Americans. The war has demonstrated that our economic system can provide jobs when demand for its product exists. It has done more. It has opened the eyes of all of us to the vast productivity of which American labor and the American genius for organization and management—working as a team—are capable.

But these jobs—this productivity—has been achieved in wartime through the creation of an unlimited market by the Government. To reach and maintain high levels of employment and a steadily rising standard of living in peacetime will call for a program suited to peacetime conditions and needs. In this program business, agriculture, labor and local, State and Federal Governments must all play their parts.

We know we have an abundance of resources, plant, manpower and managerial know-how to produce a standard of living far higher than anything we have ever known. Likewise, we know that we have unfilled needs in America so diverse and so great as to challenge the capacity of even the greatest producing nation on earth.

But needs are not demands, in the economic sense. People must have steady income and they must want to spend their income before needs become demands and people become customers.

Business management, large and small, has a great opportunity and a great challenge to help create these steady incomes, and to actuate demand by expanding their businesses, offering better goods and services at attractive prices. Labor and agriculture through their efforts to increase production per man-hour can contribute importantly to higher incomes and a higher stand of living.

But history shows us that business, labor and agriculture cannot in themselves assure the maintenance of high levels of production and employment. The Government, acting on behalf of all the people, must assume this responsibility and take measures broad enough to meet the issues. Only by looking at the economy as a whole, and adopting national economic policies which will actively promote and encourage the expansion of business and the maintenance of markets and consumer spending, can we hope to achieve full employment.

S. 380 recognizes this responsibility of Government and seeks to provide a definite vehicle for the Congress and the President to measure the size of the employment need of the country and to provide specific programs for meeting it.

It would be idle to pretend that it will be easy to reach and hold full-employment levels. It would be folly, on the other hand, to pretend that it is impossible. The American people will not be content to go back to protracted large-scale unemployment. It is imperative that we find ways and means to provide jobs for those willing and able to work. Depressions are not acts of God, any more than wars are. They are the product of our man-made institutions and the way we organize our society. We can and must organize to prevent both.

We must be prepared to make changes. At the same time, we must be jealous of any encroachment on our freedoms. National economic policies must not be allowed to develop into regimentation of business, or labor, or agriculture, nor of the people. Direction of private output by public authority in peacetime is repugnant to American ways of thought. Instead the maximum possible freedom must be afforded every producer to produce what he wishes, in the amounts for which he can best find a profitable market. Given an adequate market, our producers will supply the goods and the employment. We can be sure of that.

We cannot, however, leave the creation of that market to chance. We must start now to find out what measures are needed to maintain markets and steady jobs.

S. 380 does not profess to present a fully conceived program for the achievement of full employment. It is the necessary first step from which a full dress program of economic policies to promote the well-being of our free competitive economy will stem.

As a former member of Congress, I have certain general reactions to the bill. I regard it as desirable that such a bill should limit itself to providing the machinery to be followed to assist in arriving at national policy and full employment, rather than attempting to specify in advance policy measures to be used to meet future conditions.

I believe it wise to leave to the President full discretion in the matter of preparing estimates of the "national production and employment budget."

And I regard the consideration of proposed measures by a Congressional joint committee, which can analyze the interrelationships between the various matters of special concern to the House and Senate committees represented, as an important step in the process of preparing national policy to maintain full employment.

I heartily endorse the purposes and principles of the bill.

House Votes to Reduce Gold Requirements

Legislation reducing from 40 to 25% the requirements of gold reserves to be held by Federal Reserve banks against Federal Reserve notes in circulation was passed by the House, the Associated Press reported from Washington, May 31.

The bill also reduces from 35 to 25% the gold required behind the deposits in Federal Reserve banks.

This is necessary sponsors of the legislation said, because of the large increase in outstanding Federal Reserve notes owing to expanded business activity and needs for currency.

The action has no effect whatever on the gold content of the dollar, the bill's proponents said. The Senate has passed similar legislation, with some different language, which must be adjusted before the measure goes to the White House.

Keynes Contrived International Monetary Scheme

(Continued from first page)

"Five shall be elected by the members not entitled to appoint directors, other than the American Republics; * * *.

"Two shall be elected by the American Republics not entitled to appoint directors."

The United States' member on the Board of Directors would have the same proportion of voting power as the member on the Board of Governors, 28% as now projected and less later if new members are taken in.

John Francis Neylan in "Analysis of The Bretton Woods Agreement states:

"In all likelihood the board of 12 Executive Directors will consist of one United States director, a minimum of two and probably three British, a minimum of one Soviet and probably a Soviet sponsored director, one representing each of the Belgian, Dutch, and French Empires, two representing American Republics, and one representing China.

"This is the board which will govern the Fund and select the Managing Director, who will hire and fire the staff of the Fund, conduct the ordinary business of the Fund, and hold office at the pleasure of the Board of Executive Directors.

"Let us not speculate on the nationality of the Managing Director, but is it not permissible to speculate on what Lord Keynes meant when in addressing the House of Lords on the subject of management of the Fund he said 'that is perhaps a little better than appears' "?

Morgenthau's and Bretton Woods' Proposals for Appointing Voting Power Among Member Countries Compared to a Similar Provision in Lord Keynes' Clearing Union.

Fig. 14

Keynes' Clearing Union (Preface)

"Management of the institution must be genuinely international, without preponderent power of veto or enforcement lying with any country or group."

Fig. 15

Bretton Woods

The United States would have 28% of the voting power, the British Empire 25%, the Soviet Union 12.25%, etc.

It should be mentioned in connection with this Exhibit that the relative proportions of voting power between the United States and the United Kingdom, as provided in the proposals, should not be taken as representing the same proportionate amounts of influence the two countries would have in formulating policies.

Lord Keynes in setting up the formula no doubt had in mind the preponderantly greater influence which the British would exert in the Fund's operations by virtue of their richer experience in and more abundant facilities for the handling of international trade and finances which they possess.

Debtor countries would be in overwhelming control of the resources of the Fund. Great Britain being by far the most important debtor country, from the standpoint of world trade, would largely dominate the policies having to do with their disposition.

Furthermore, the very close tie-in which Great Britain has with many other countries through the sterling bloc and her bilateral trade agreements, and, because of the common interest in foreign trade such arrangements engender, would place her in an advantageous position to influence the conduct as well as the votes of those countries.

The United Kingdom has bilateral trade and currency agreements with Sweden, Brazil, Argentina, Turkey, Spain, Hungary, Portugal, Egypt, Belgium, Defense Committee of National Liberation, Bolivia, Peru, Norway, Uruguay, Roumania, Chile, Paraguay and Greece.

Robert H. Patchin in "Dissenting Statement" on "A Statement by the Committee on International Policy, National Planning Association," throws much light on the amount of power over the Fund's operations Britain would likely wield through her bilateral trade and currency agreements and her sterling area set-up. He says:

"In general, the other parties to these agreements argeed to accept payment for their exports to Britain or other countries in the sterling area in pounds sterling which can be expended only within the sterling area and cannot be converted into dollars or the currency of any other countries outside the sterling area except by special permission.

"Quite recently new agreements have been made by Great Britain with some of the foregoing, including Sweden and additional agreements made by Great Britain with France, Belgium, Holland and Egypt, while negotiations are reported with Turkey and others. Full details are lacking but it appears that in varying degrees they limit sterling balances to use in the sterling area except by special permission.

"The sterling area consists of the British Dominions (except Canada and Newfoundland), the Empire and British mandates and protectorates. With the bilateral agreements there has thus been created a network of managed exchange control covering about 40% of the earth's surface, cutting across the multilateral channels in which international commerce formerly moved on a non-discriminatory basis which it is the professed purpose of the Fund to restore. As a wartime policy little objection has been offered, but, apparently, this network of exchange control or exchange controls under any flag can be continued for so long a transitional period as possible to become an established order tending to draw other nations into similar practices for their own protection.

"The 'sterling area' is not a policy which may hereafter be adopted. It exists today and is being extended and the exchange restrictions thereunder are being increased and diversified. As a post-war policy it would substitute a vast regional management of exchange for multilateral trade relations, and controlled bilateral barter for free multilateral commerce. It would apparently work against exports of the United States to countries which habitually had sterling balances which in part they converted into dollars needed to pay for their purchases in the United States."

Still another important factor relating to the control of the Fund should be taken into consideration, namely the blocked sterling balances, 12 to 14 billion dollars owned by Britain's dominions and colonies, Egypt, European and South American countries. This would become an additional powerful means for aligning those countries on her side in the shaping of the policies of the Fund.

Need we specially give thought to the great amount of control Great Britain would likely wield in the operations of this one-sided scheme when we reflect upon the powerful influence she is already exercising over our Government?

Bretton Woods Proposal for Authoritarian Control of Capital Transfers and Currency Transactions Compared to Similar Proposals by Lord Keynes in his Clearing Union Scheme.

Authoritarian restrictionism of capital movements and currency transactions is of the essence of Lord Keynes' Clearing Union plan and also of the so-called Bretton Woods Fund Proposal. Let us consider first the proposals in the two plans for the control of capital transfers. In Lord Keynes' Clearing Union Plan we read:

"For these reasons it is widely held that control of capital movements, both inward and outward, should be a permanent feature of the post-war system." Art. VII, Sec. 33.

The Bretton Woods Proposal provides that:

"A member may not make use of the Fund's resources to meet a large or sustained outflow of capital, and the Fund may request a member to exercise controls to prevent such use of the resources of the Fund." Art. VI, Sec. 1 (a).

"Members may exercise such controls as are necessary to regulate international capital movements, but no member may exercise these controls in a manner which will restrict payment for current transactions * * *." Art. VI, Sec. 3.

Lord Keynes, in his Clearing Union Plan, devotes an entire chapter to controlling capital movements. The Government of the United States is now pursuing a policy of consciously encouraging the export of capital. So this cannot be an American problem.

To make this control effective would require "the machinery of exchange control for all transactions, even though a general permission is given to all remittances in respect of current trade." Not only is this machinery necessary in the country desiring it but in that not desiring it as well. Unilateral action would be inadequate. Only by the control of capital movements *"at both ends."* Lord Keynes here suggests that the United States should set up exchange control machinery similar to that of the British exchange control, which "has now gone a long way toward perfecting."

Capital transfers may be effected by exporting gold, currency, commodities or services. To effectively prevent outward movement of capital requires total control of all international transactions whatsoever, censorship of mails, telegrams, telephone calls, cablegrams. Foreign travel must be restricted. Persons wishing to travel abroad must be searched. Restrictions on exports through licensing must be required.

Would the United States provide the bureaucratic machinery that would be necessary "at both ends," to successfully prevent the importation of capital from Britain and other countries which might be able to evade their authoritarian guards? Would not the United States be morally obliged to provide the army of supervisors, inspectors and policemen to accommodate those countries and Great Britain in particular? And if she failed to do this, what would become of the much vaunted international cooperation of which we hear so much from the proponents of the scheme?

Lord Keynes' Clearing Union Plan provides for "transitional arrangements" and contemplates unlimited control by member governments of all "dealings in foreign exchange after the war for a period sufficient to ensure that foreign exchange resources are devoted primarily to imports which this country (Great Britain) requires in the national interest, and probably for a longer period, * * *." (Art. X, Clearing Union Plan, and Sir K. Wood's speech in the House of Commons May 12, 1943.)

Government over-valuation of currencies, discriminatory currency arrangements, multiple currency practices, blocking of currencies, indeed every irregular currency device used by Nazi Germany is part and parcel of Lord Keynes' plan. Legal color and respectability would be given to all of these illicit arrangements and procedures for an indefinite period of time.

Bretton Woods provides for identically the same things—complete control by member governments of foreign exchange transactions—blocking and rationing of currencies, (Art. VII, Sec. 3, 4); discriminatory currency arrangements or multiple currency practices, (VIII, 3); restrictions on payments and transfers for current transactions, (XIV, 2), and rigid control of foreign exchange rates (IV, 3).

To maintain an arbitrarily fixed rate of exchange and suppress black market operations in privately operated foreign exchange markets, the scheme proposes to abolish these and substitute therefor political ownership and control of such markets. This is what is planned. The New York "Times" of Feb. 10, 1945, quotes Mr. Henry Morgenthau, Secretary of the United States Treasury, as saying that:

"It has been proved, as far as I am concerned, that people in the international banking business cannot run successfully foreign exchange markets. It is up to the governments to do it. We propose to do this if and when the legislative bodies approve Bretton Woods."

As has already been shown, the Fund is not intended to give any currency intrinsic stability. This was frankly admitted before the Committee by Professor O. M. Sprague, undoubtedly by far the best informed witness favoring Bretton Woods. What the Fund would actually do, if it operated according to plan, would be, not to stabilize currencies, but by authoritarian means peg some foreign exchange, principally in terms of the United States dollar, at a greatly overvalued rate.

The par value of the currency of each country would be that which prevailed on the 60th day before entry into force of the agreement. It is provided that the Fund may go into operation any time after May 1, 1945. It is expected that, should the Congress pass H. R. 2211, it will begin functioning soon thereafter.

This means that the par value of the currency of each country would probably be that which prevailed before the close of hostilities or not long thereafter. What this would signify can be realized only by considering the weakness of most of the currencies throughout the world during the years following the other World War. As is well known, there were but few currencies which did not appreciably decline in value and some became wholly worthless during the first few years after the war. A glance at the exchange rates of the currencies commonly listed will show that there has been a more or less general depreciation, in many cases to a marked degree, during the entire period from the close of World War I until the outbreak of the present war.

The United States would be obligated to enforce compliance with the official ceiling price on the dollar, as provided in Art. IV, Section 3. Assuming that American prices were to remain somewhere at their present level, good dollars, dollars whose purchasing power in terms of American goods was stable, would sell for foreign currencies which had been overvalued in the first place and whose value was constantly declining. To the extent that foreign currencies were overvalued the procedure would be one of giving our goods away, for we should constantly bear in mind that the dollars we lent would not be paid back to us. Only by taking the goods of foreign countries could we receive any compensation for the goods they bought with the dollars we supplied them.

Now the maintenance of the value of the pound sterling in terms of, say, the dollar, as the war comes to a close and for an indefinite period thereafter, will most likely present to the British a problem of the first magnitude. The rate of exchange between dollars and pounds has been about $4 equals 1 pound since 1942. But this is a government fixed rate and is, therefore, wholly artificial. What the pound sterling would fetch in a free market is, of course, impossible to say, but certainly considerably less, as experience has shown.

So it would be a pretty nice thing for Great Britain to have a "Fund" which she could use to keep the pound sterling overvalued in the dollar exchange market, while at the same time retaining all of her wartime currency restrictions and special arrangements with the sterling area and the many countries with which she has bilateral trade agreements. As though giving to such procedure legal color could alter their irregularity.

Lord Keynes in his speech before the House of Lords, May 23, 1944, gave a summary of the concrete benefits that would accrue to his country from the scheme. "I can best occupy the time available," he said, "by examining the major benefits this country may hope to gain from the plan; and whether there are adequate safeguards against possible disadvantages." "What, then," he asks, "are these major advantages that I hope for from the plan to the advantage of this country?" He then elaborates the following:

First, retention of wartime restrictions and special arrangements with the sterling area which are helpful to Great Britain "without being open to the charge of acting contrary to any general engagements into which we have entered."

Second, restoration and maintenance of London as the world's financial center.

Third, provide a great addition to the world's stock of monetary reserves, distributed in a reasonable way in the form of "quotas" not so large as under the Clearing Union but substantial in amount and subject to being increased subsequently if the need is shown. The aggregate of the world is put provisionally at 2,500,000,000 pounds. Britain's share of this is to be 325,000,000 pounds, "a sum which may easily double, or more than double, the reserves which we shall otherwise hold at the end of the transitional period."

Fourth, give Great Britain under Article VII of the Fund Proposal a large measure of control over our foreign trade and tariff policies.

Fifth, "The voting power of the British Commonwealth and that of the management will be in three tiers — a body of experts, whole time officials who will be responsible for the routine; a small board of management which will make all decisions of policy subject to any overriding instructions from the Assembly, an Assembly of all the member governments meeting less often and retaining a supervisory, but not an executive, control. That is perhaps even a little better than appears.'

"Here," said Lord Keynes, "are five advantages of major importance. The proposals go far beyond what, even a short time ago, any one could have conceived of as a possible basis of general international agreement. What alternative is open to us which gives comparable aid, or better, more hopeful opportunities for the future?"

"But," said Lord Keynes in his speech before the House of Lords, May 18, 1943, "if, in the event our trust should prove to be misplaced and our hopes mistaken, we can, nevertheless, escape from all obligations and recover our full freedom with a year's notice. I do not think that we can reasonably ask any completer safeguards than that."

Indeed! By shrewdly remaining debtor Great Britain could withdraw from the Fund at any time and, of course, escape from all obligations and recover her

full freedom. But what about the United States? She, too, could withdraw, but could she do so without heavy loss? Since she would contribute the vast bulk of the valid assets, how would her account stand if she were to do so? Great Britain could withdraw without hardly causing a ripple in the Fund's operations.

But if the United States were to withdraw, the whole ship would sink, we would be branded as "Uncle Shylock" and blamed for whatever troubles, wars and rumors of wars not excluded, the member countries individually and severally might be experiencing at the time and perhaps long thereafter.

Just a few words respecting the so-called post-war or transition stage.

Lord Keynes in his Clearing Union Plan provides for "The Transitional Arrangements," and Bretton Woods for a "Transitional Period." Neither places any time limit on what this would be. That would be left to the Fund to determine.

How long did the transitional period last following the other war? Did it ever end, or are we still in it? Surely it has not ended if the condition of world currencies and trade practices is any criterion by which to judge the case. Have these not progressively deteriorated since the end of the other war until this very moment?

Government printing presses all over the world have been running in high gear since 1918 turning out irredeemable or fiat currency. Almost every conceivable sort of currency debauchment has progressively increased since the other war with a corresponding loss of property, that is, human, rights, everywhere.

To Lord Keynes the transitional period, which he says is "of uncertain duration," means the retention by his country of the devices for manipulating currency transactions, sterling area arrangements and bilateral trade agreements and other discriminatory practices. It is folly to assume that if Great Britain needs these contrivances to live in the post-war period that she would give them up later. Being authoritarian procedures, they would feed upon themselves, become intensified and permanent. The idea of a transitional period is illusory.

Lord Keynes contrived every substantative provision of this international monetary scheme. The evidence to that effect is complete. Mr. Henry Morgenthau and his experts are a front and Bretton Woods is a show.

Editor's Note—The foregoing is the concluding portion of Congressman Smith's article, the previous parts having appeared in our issues of May 24 and May 31.

In WLB Post

The National War Labor Board announces the appointment by President Truman of Lee H. Hill, a vice-president of the Allis-Chalmers Manufacturing Co., as principal industry member of the WLB, a report from Washington stated on May 26.

Hill had been an alternate industry member. He succeeds James Tanham, New York, vice-president of the Texas Co., who recently resigned from the board to devote more time to private business.

Mr. Truman shifted S. Bayard Colgate of New Canaan, Conn., chairman of the board of directors of the Colgate-Palmolive-Peet Co. of New Jersey, and Fred W. Climer of Akron, Ohio, assistant to the president of the Goodyear Tire and Rubber Co., from substitute to alternate industry members.

Colgate and Climer will fill vacancies created by Hill's elevation and the recent resignation of Walter T. Margetts, who has been named chairman of the New Jersey State mediation board.

Experts to Control German Industry

The Allied Control Council has appointed R. J. Wysor, former President of Republic Steel Corporation, who resigned that post on May 9, to supervise metallurgical operations in Germany and to put into operation the control, dismantling or removal from Germany the steel mills, the Associated Press reported from Paris, May 26.

Wysor was among a group of leading American civilians and Army officers appointed to help carry out the policies of American and Allied authorities in controlling Germany's economy. Supreme Headquarters said an economic intelligence division will make sure that "Germany's war-making powers are eliminated in such a way they cannot be revived in secret preparations for another war."

Dr. Calvin B. Hoover, of Durham, N. C., Dean of the Duke University Graduate School, was named to head the intelligence group for the Allied Control Council, Lieutenant General Lucius Clay, General Dwight D. Eisenhower's representative on the council, announced. Dr. Hoover also will be special advisor to Brigadier General William H. Draper, chief of the economic division.

"Plants which cannot be converted to production of essential civilian goods will be destroyed," Clay said.

Other tasks confronting the group will be destruction of German laboratories and research institutions in which V-bombs, rocket planes and other weapons were created. All future research will be carefully controlled.

Other experts named to the group by Clay are:

Edward S. Zdunek, formerly General Motors Corporation head at Antwerp, to supervise the engineering section.

Philip Gaethke, of New York, to direct all mining operations in the American occupation zone. Gaethke formerly was connected with the Anaconda Copper Company and was manager of its smelters and mines in Upper Silesia before the war.

Philip P. Clover, of New York, as chief of the oil section of the fuel and mining branch. He formerly was representative of the Socony Vacuum Oil Company in Germany but since the war has served the State Department as petroleum attache in Central and South America.

Dr. W. O. Snelling, of Allentown, Pa., consulting chemical engineer. He is an authority on explosives and holds more than 100 patents on explosives and chemical products.

Laird Bell, a Chicago lawyer, chief counsel for the economic division.

Lloyd Steers, former agricultural attache for the American Embassy in Berlin and an authority on German agricultural problems, to be special adviser to Draper on food and agriculture.

Colonel James Boyd, of Denver, of the Colorado School of Mines and a War Department adviser on WPB materials, to be chief of a branch to control industrial production.

Peter Hoglund, on leave from General Motors and an expert on German production, to be Colonel Boyd's deputy.

Colonel Maurice R. Scharff, former assistant director of the production division of the Army Service Forces, to head the requirements and allocations branch and to pass on raw materials and components permitted the Germans.

Treasury Trade Rules

The Treasury Department on May 29 amended its trading with the enemy regulations by removing from the category of "enemy territory" the following countries: Albania, Austria, Czechoslovakia, Danzig, Denmark, the Netherlands, Norway and Yugoslavia.

Today's action, constituting an amendment of General Ruling No. 11, paves the way for the orderly resumption of commercial communications with the liberated areas. Treasury licenses will not be needed for the transmission of messages of a financial, commercial, or business character which are limited to the ascertainment of facts and exchange of information. However, communications which constitute or contain instructions or authorizations to effect financial or property transactions will continue to require Treasury license. Attention was directed to General Licenses Nos. 72A and 89, which authorize certain transactional communications relating to patents and the protection and management of property located within foreign countries.

It was stated that remittance facilities to many of the areas are not yet available. When these facilities are established, General Licenses Nos. 32 and 33 will permit the sending of support remittances up to $500 a month through banking channels. Under Public Circular No. 28, which was also issued today, these general licenses will not apply to Austria, however. The restrictions on the use of currency, money orders, checks and drafts for remittances still remain in effect for all the liberated areas.

Lower Incomes May Ease Food Shortage

The likelihood that changes in industrial employment may have an easing effect on the critical food shortage in the country is being considered by food officials in their plans for sending food supplies to the needy European nations, the Associated Press reported from Washington, May 31.

Agriculture Department economists say that reductions in military output now taking place should tend to reduce consumer incomes. And smaller consumer buying power should be reflected, they add, in a some what reduced demand for food.

Similarly, the report states, as industrial reconversion gains momentum and is able to put larger quantities of non-food items on the market, there will be a tendency, the economists say, for consumers to divert money from food to other items coming back into production.

Consumption and demand for food during the war have been at record levels largely because of two facts: (1) civilians had more buying power than ever before, and (2) they tended to concentrate their buying in food markets, because such items as automobiles, radios, refrigerators and the like were not available.

It is too early to hazard a guess how much effect war material cutbacks and re-established peacetime production will have on food demand during the all-important next sixteen months. Certainly, there is every prospect that all the food that can be produced will be needed.

Officials emphasize, however, that any considerable reduction in the national income, due to exwar workers taking jobs at less pay, should tend to weaken food demands. Black markets in particular could be expected to suffer.

Army Drops Nurse Draft

Legislation to draft nurses is to be dropped since Robert P. Patterson, Acting Secretary of War, has assured the Senate that the end of German resistance and increased recruitment of nurses had eliminated the need, the Associated Press reported from Washington, May 26. Mr. Patterson wrote, "The response of the nurses to the appeal of the Army Nurse Corps has been most patriotic".

Murray, CIO Head, Wants Labor Delegates to Help Solve World Problems of Reconstruction

Exchange of labor delegations to help solve world problems of reconversion and reconstruction was suggested by CIO President Philip Murray in a letter to trade union leaders of Britain, France and the Soviet Union made public on June 4.

"If we are to enjoy a peaceful and prosperous post-war, the contribution of organized labor toward the solution of these new problems must equal that of organized labor made during the war," Murray wrote.

"In this connection, I believe it would be of invaluable assistance to the leaders and members of the CIO to have the opportunity of meeting with the representatives of your organization for the purpose of exchanging views and information."

The letter was sent to Sir Walter Citrine, General Secretary of the British Trades Union Congress; Louis Saillant, Secretary of the Confederation Generale du Travail (France); and Vaeili Kuznetsov, Chairman of the All Union Central Council of Trade Unions, USSR.

Text of the letter follows:

"With the decisive defeat of the Nazi military forces in Europe, many immediate and severe problems arise relating to reconversion and reconstruction.

"If we are to enjoy a peaceful and prosperous post-war, the contribution of organized labor toward the solution of these new problems must equal that which organized labor made during the war. In this connection, I believe it would be of invaluable assistance to the leaders and members of the CIO to have the opportunity of meeting with the representatives of your organization for the purpose of exchanging views and information.

"I therefore take this opportunity of suggesting that, at an early date and subject to your convenience, our respective organizations exchange delegations. I am certain that in this manner our organizations will be materially assisted in developing a common program for the solution of our mutual problems.

"I also wish to express to you at this time my very deep gratification at the very successful outcome of the conference of the Administrative Committee in Oakland, Calif., and am looking forward to an equally successful convention of the World Trade Union Conference in Paris in September."

Consumer Credit Rules Amended by Fed. Res. Bd.

The adoption by the Board of Governors of the Federal Reserve System of an amendment (No. 16) to its Regulation W, relating to consumer credit has been made known by the Board. The changes take effect June 11. They do not affect the regulation as a whole but relate almost exclusively to transactions for financing the purchase of materials, articles, and services used in repairs or improvements of residential property. In its advices under date of May 22 the Board said:

"The purpose of this amendment, notwithstanding the fact that it makes certain changes of detail in down-payment and maturity requirements, is essentially administrative. It reflects no change in the Board's consumer credit policy or in the place of consumer credit regulation in the Government's anti-inflation program.

"Under the amendment no credit transaction in the home-improvement field is any longer exempted from the regulation by reason of the way in which it may be secured, the area in which it may be located, or the type of job to which it may relate. For all such credit transactions, if they relate to residential property and are not over $1,500, a length-of-contract requirements is prescribed, but no down-payment requirement is prescribed for any of them. The maximum maturity may not hereafter exceed 18 months except that for certain 'fuel conversation credits' extended during the next five months the maximum maturity may be 24 months. Heretofore some such transactions have been altogether exempt, some have been subject to a maturity limitation of 12 months, and others have been subject to both a down-payment requirement of one-third and a maturity limitation of 12 months.

"The amendment also contains some technical provisions which relate to so-called 'summer plans' for specified home-improvement items and others which relate to the exemption for 'disaster credits.'"

Britain Relaxes Labor Controls

The British Labor Ministry has announced a relaxation in its controls under a revised order reported from London to the New York "Times" on May 28. Persuasion instead of direction is said to be the keynote of the new order, which is intended to cover the period between the end of the war in Europe and the defeat of Japan.

While the original essential works order, which directs labor into war or essential civilian industries, will still apply to men between eighteen and fifty and women between eighteen and forty, there will be many modifications. The upper age limits may be lowered from time to time as circumstances permit and employers no longer will have to apply for deferment to retain the services of men born in or before 1914.

Among the categories now free to take what employment they choose are:

(1) Former service men and women, when exercising reinstatement rights with their former employers or during periods of paid leave following release from the services.

(2) Executives and managers described in the order as "salaried officials in charge of departments, works contracts or offices."

(3) Women living with children of their own under the age of 14.

(4) All persons in part-time employment.

(5) All agricultural workers and fishermen.

Apart from the continued direction into munitions work and building projects, the controls will continue because of the scarcity of manpower in the following professions: chemists, metallurgists and physicists, pharmacists and dispensers, nurses and midwives, radiographers and physiotherapists.

The Labor Ministry hopes that the power of direction can be left in the background and that compulsion can be brought within narrow limits. Direction will not be used so long as the new control order smoothly effects the necessary reallocation of labor.

Post-War Aviation Control

(Continued from first page)

each type of facility should be used where it is best suited to the requirements of traffic—*where it can perform the most efficient service at the lowest rates.*

Notwithstanding the controlling influence of existing and *potential* private transportation, Congress persists in regulation which compels competition between *types of common-carrier facilities*—between ships, trucks and planes operating over basic "road beds" owned by the Government, and railroad trains operating on the privately-owned rights-of-way of such carriers.

6. That competitive common-carrier *systems* of transportation be granted the use of the public domain on the same terms and conditions as private carriers.

Sound regulatory practices may reveal that many carriers can best serve the public interest as they are now constituted—that carriers independent of such systems should be continued. However, their sources of private capital should not be restricted. Common ownership with other forms of transport should be encouraged. Every possible inducement should be afforded them to effectuate joint arrangements either by contract or ownership which would (1) result in improved services; (2) strengthen the credit structure of the carriers involved; (3) avoid wastes, and (4) decrease costs.

It is because we believe that some features of the Civil Aeronautics Act of 1938, as it stands at present, or as it is interpreted by the courts and the Civil Aeronautics Board, would be an obstacle to bringing about such a revision of national policy as the Transportation Association recommends, that we are here suggesting amendments in addition to those presently covered by HR 674.

Three Specific Amendments

These recommendations, of course, involve legislation much beyond that under consideration by your committee at this time, but it will be seen, gentlemen, that the three following specific recommendations for amendment are germane to HR 674 and deal, fundamentally, with important aspects of an airport expansion program:

1. That all discrimination against the ownership and operation of airlines by other types of transportation agencies be abolished, and abolished with such definiteness of phraseology that there can be no misunderstanding on the part of any board, bureau or court as to what is the intent of Congress.
2. That regulation of all types of common carriers be centralized in a single, reorganized Federal agency reporting directly to Congress.
3. That the Federal Government exercise, in the interests of the taxpayers, State and municipal as well as Federal, a closer supervision than is the apparent practice now, of the contracts entered into by airport operating authorities with the users of airport services, and that specific directions to this end be incorporated among the amendments contemplated by HR 674.

Need for Investigation of Transportation Problem

The Association had hoped that the above three recommendations together with other important problems concerning the development of air transport and the relationship of that industry to other aspects of the transportation problem might have been thrown into the hopper of a general investigation of the whole transportation problem.

We realize, however, that you are faced, particularly in view of our victory in Europe and the possibility of an early victory over Japan, with a pressing necessity to formulate immediately an overall airline development program. We are not, therefore, suggesting that you delay action on this very important program which you are considering, but we do suggest—in fact, we strongly urge—that you take immediately the necessary preliminary steps for a thoroughgoing inquiry into the transportation situation as it involves all forms of transport—airline, surface and waterway.

What is so loosely and glibly described as our "transportation problem" has so many facets and reaches so deeply into our whole economy that we believe that nothing short of an investigation by Congress such as we suggest has any chance whatever of meeting the needs of commerce and of paving the way to the formulation of a national transportation policy calculated, to a greater degree than is the present patchwork of obsolete policies, both to meet the needs of commerce and to reestablish the credit of surface transportation.

I wish to emphasize at this point, so strongly that there can be no misunderstanding of the position of the Transportation Association of America, that we are not opposing by implication or otherwise any features of the airport development program. As a corollary to this, however, it should be understood that we are not favoring all of the features of the program as it has been presented to you.

The directors of the Association, who are the only source of Association policy, have not given detailed consideration to the bills which you are considering. I think I am accurate in stating, however, that not a single member of our board of directors or board of governors would oppose the general policy of fostering air transportation through Government assistance for some years to come.

Let Private Capital Do the Job

I believe, though, that our directors would unanimously recommend that everything possible be done by both the airlines and the Government to encourage private capital to enter the field of air transport with the view to letting Uncle Sam off the hook at the earliest possible date. Government assistance should be so planned and directed that it does not become so readily accessible in the financing of future development of airlines that this magnificent and rapidly expanding industry is pauperized down the road into Government ownership and operation.

In sounding this warning the Transportation Association is far from being hostile to the aviation industry; in fact, we believe that we are thereby discharging one of our obligations to an important segment of the transportation industry and to the public, which is expecting great things from that industry.

No Dividends Should Be Paid Out of Subsidies

We furthermore believe that it is unsound public policy for Congress to permit investors in airline securities to profit at the expense of the taxpayers. Taxpayers should not be paying dividends to airline stockholders. This is a situation which may easily develop (if it has not already done so) under the present scheme of regulation of airline transportation by the same authorities that are charged with far-reaching responsibility for promoting airline development. A proud parent is likely to be an over-indulgent one.

It seems almost axiomatic that competing forms of transportation should be related to each other and regulated as to rates and services by the same authority. Otherwise you are forcing taxpayers who employ unsubsidized transport agencies into the grotesquely ruinous position of paying for the competition that raises the levels of their rates. Likewise, investors in securities of unsubsidized transport agencies are taxed to support the agencies whose competitive position is a constant and growingly serious threat to the soundness of their investments.

One might wonder if the danger point in this respect has not already been reached. A representative of the Civil Aeronautics Board stated in recent testimony before this committee that in his opinion it would soon be possible to reduce the rate for air transport to 2½ cents per mile. We believe that the Board should present to this committee an analysis of the figures upon which this prediction is based. We believe that the Board should assure you, in view of the magnitude of the program that is presented for airline expansion at Government expense, that this predicted reduction contemplates replacement of Government funds by investment of private capital in airline expansion and operation before such ruinous competition to privately-owned transport is allowed to sell its competitors down the river. We believe that this committee owes it to the taxpayers to assure the Congress that this program does not contemplate the continued pouring in of public money in the form of direct and indirect subsidies to airports and services in connection with airline operation and the siphoning off in an ever increasing stream of those moneys as dividends to investors in airline securities, which dividends would actually, wholly or in part, be paid by the taxpayers.

Basis of TAA Suggested Policy

On this point some observations from the introduction to the Association's *Statement of the Transportation Problem in the United States and Suggested Changes in National Policy*, published in January, 1944, seem to be germane:

> The transportation problem is essentially a *financial* problem. Prior to this war, no one branch of the common-carriers industry, as a whole, was operating on a profitable basis. A substantial proportion of all companies engaged in transport were either in or near bankruptcy.
>
> Any measures looking to the restoration of a sound credit position for this industry in the post-war period must necessarily be based upon the requirements of the industry *as a whole*, rather than attempt to deal with any *single mode* of transport *without relations to the needs and services of all other forms of common carriers.*
>
> If private ownership is to be preserved, future policy must be determined solely from the viewpoints of (1) what is best in the interests of shippers and consumers who "pay the freight," and (2) how the credit position of the industry can be so fortified as to afford an opportunity for the private investor to earn a fair return.

To accomplish such aims this Association advocates the adoption of a long-term transportation policy which will (1) promote economies in operation, resulting in lower transportation costs; (2) support the security of investment by the broadest possible earning base; (3) offer every inducement for the technological development of all types of facilities; (4) encourage constructive competition, and (5) assure "equality of regulation."

Policies that call for continued Government loans and subsidies, favoring one mode of transport over another, add to the national debt, discourage private investment, and tend toward Government ownership and operation. We oppose such policies.

Subsidies Are Pretty But Dangerous Things

Henry J. Taylor, author of *Men in Motion* and well known war correspondent and radio commentator, in an address before the Institute of Transportation, held last year under the joint auspices of the New York University School of Law and the School of Commerce, Accounts and Finance of the University, in cooperation with the Transportation Association of America, said something on the subject of subsidies which I believe is so sound and which contains so much of solemn warning to Congress, to industry, and particularly to the beneficiaries of subsidy, that I would like to quote it at this point:

> First, if subsidies are to predominate in our post-war transportation system here at home, then there is no possible escape from pressure groups. And there may be no possible escape from State socialism. For the abuse of the subsidy theory, the slaughter of the long-term gains of independence by the short-term benefits of excessive subsidies obtained by excessive pressure for them, leads inevitably to State socialism over a long enough period of time.
>
> Again, the thing which really controls the virtue or vice of subsidies is the philosophy behind them, the philosophy in their application, and the intent of both the givers and the receivers. It is evident that certain subsidies are inherent, for example in the long-haul trucking business. After all, trucking companies cannot be expected to build highways simply because railroads have built rights-of-way. And to the degree that the trucking company does not maintain the highway, or through other offsetting charges have the equivalent expense of the railroads' rights-of-way, the State or the Federal Government is subsidizing long-haul trucking. Yet there is no devious or proprietary intent in this, either by the giver of the subsidy or the receiver. Trouble would arise only when long-haul trucking companies refuse to recognize this inherent subsidy in their arguments about rate structures, and in that manner pull further away from any genuine meeting of minds over the solution, with Government, of the practical problems represented in the friction between gasoline and steam.
>
> One of the most encouraging indications of long-headedness on the part of the management within the new-born airline industry is the universal determination—and I believe this applies to every single airline in the United States—by efficiency and service to pull further and further away from their original dependency on the subsidy of airmail. It seems to me a very significant thing that in this newest transportation industry—the domestic airlines—all have—and that is the point, they are unanimous—arrived at this policy of fundamental independence out of their own thinking and have put it into practice out of their own determination—each one alone and all together. They may quarrel on other things, and my friends among the airlines tell me they do, but they do not quarrel on the basic principle of freedom from Government support or the maintenance of an inside track with the other carriers in respect to subsidy-savers. If the Government itself showed the same determination as carriers, for example, as several of the Mississippi River barge lines, and in the post-war period either let them operate or not operate on the basis of value delivered, our Government would be in step with the same kind of fundamental thinking that the airlines—yes, and the railroads—are showing today.

Regulation by a Single Body

We realize that our recommendation in regard to the transference of regulatory powers of the Civil Aeronautics Board to a general transportation regulatory body is a suggestion that involves so many questions of fundamental principle that the debate on it is likely to be prolonged. It would probably be unwise for your committee to inject that problem into your consideration of the bills presently before you. We would not be disturbed, therefore, if you should decide that this suggestion should be considered in connection with a broad general investigation of the transportation problem with the understanding that no action you take at this time in amending the Civil Aeronautics Act of 1938 would be prejudicial to your future consideration of the recommendation.

It may not be amiss, however, at this point to make brief reference to a discussion of the subject of regulation of transportation by a single Federal body by Kenneth F. Burgess, eminent lawyer and transportation export of Chicago, which appears on pages 11-23 of the *Proceedings* of the Institute of Transportation to which I refer above. Mr. Burgess suggested that, preliminary to providing for the future regulation of air transport by the Interstate Commerce Commission, the proposal of the late Joseph B. Eastman, made more than a decade ago, should be reexamined. This proposal was made by Mr. Eastman in his capacity as Federal Coordinator of Transportation and is contained in the third report of the Coordinator, dated Jan. 21, 1935. In commenting on Mr. Eastman's proposal Mr. Burgess says:

> Quite probably, if the present development of air transportation had existed when Mr. Eastmade made his proposal for reorganization of the Commission, he would have recommended for it a separate division of three or five members. This could be accomplished quite readily within the original framework of the plan by substituting such a division for the originally proposed division of finance. The work of the latter division could then be placed under the direct jurisdiction of the Control Board, and administered through a bureau organization. Such, however, are matters of detail, and not fundamental to the basic purposes of reorganization. The work which has been accomplished by the Civil Aeronautics Board during the past four years could be preserved. One excellent method would be to incorporate into the Commission the staff and organization of that Board and in effect to convert it into the division which would regulate air transport.

Abolish Discrimination

As to our recommendation No. 1 for amendment to HR 574 to do away with discrimination against

the ownership and operation of airlines by other types of transportation—there need be no such extensive debate as would be the case with the Interstate Commerce Commission recommendation. Either Congress wishes to continue the Caspar Milquetoast and the "Please Fence Me In" philosophy that was enacted in the Civil Aeronautics Act of 1938—or it doesn't.

If you don't, in the name of good government say so. The off-again, on-again Finnegan maneuvers of the Civil Aeronautics Board in connection with its switching off and on of red and green lights in the American Export Airlines case is a serious reflection upon some Government agency—the Congress, the Civil Aeronautics Board, or the courts—perhaps all three. But I think you will agree that it is the responsibility of Congress to clarify its directives in a matter where lack of clarity so clearly exists. It seems to us that your committee has a fine opportunity to take a firm, definite and forward-looking stand in writing into this law a clear-cut declaration that Federal, State and municipal subsidies to no one form of transportation shall be employed in such a way as to establish a monopoly to the exclusion of every owner or operator of other forms of transport agencies.

Is there any sound basis, considering the fact that transport facilities have only one good reason for existence—their service to the public—for Congress saying to an operator of a fleet of barges on the barge canal in New York that under no circumstances can he go into the business of trucking freight? Of course, there isn't, and Congress doesn't say so. But it does say, in the Transportation Act of 1940, as amended, that no *railroad* shall operate a truck line paralleling its rail lines. Furthermore, the Civil Aeronautics Act has been interpreted to mean that no railroad, truck line or barge line may go into the airline business.

Suggestions for Clarification

It is perhaps not a proper function of this Association to suggest specific phraseology for amendments to accomplish the purpose we hope your committee will agree to. I am wondering, however, and offer personally the suggestion for what it is worth, if you could not begin to clarify this situation in the direction of what we consider to be sounder public policy than that enunciated in the present Act, by starting with Subdivision (a) of Section 2 of the Civil Aeronautics Act of 1938 to make is read as follows:

(a) The encouragement and development of an air transport system adapted to the present and future needs of the foreign and domestic commerce of the United States and to the needs, development, competitive interests and credit soundness of other forms of transportation, of the postal service and of the national defense.

Then, also, on page 19 of HR 674 consider the effect of stating as one of the policies of the Civil Aeronautics Act, as follows (the italics being my suggested amendment):

(b) The regulation of air commerce (1) in such manner as to recognize the preserve the inherent advantages of such commerce, to assure the highest degree of safety, foster sound economic conditions, and prevent destructive and wasteful competition, in such commerce, *and in the competition of such commerce with other forms of transportation*, and to improve relations between, and coordinate transportation by, persons engaged in such commerce, *and in the ownership and operation of other forms of transportation;* and (2) so that its advantages will be available, so far as practicable, to all points on fair and uniform terms and without discrimination;

These two suggestions, which are offered to your committee for any value that they may have, do not do the whole job but merely introduce the thought that Congress does not intend to surround airline operation with barbed wire entanglements to keep out private capital from any special proper source and preserve forever airline operation as a subsidy-supported monopoly in forced competition with non-subsidized transport.

It would be necessary for your committee to do a major operation on Section 408 of the Civil Aeronautics Act of 1938, and particularly on subdivision (b) if in the public interest such absurd situations as the American Export Airlines decision are to be avoided in the future.

The purpose we have in mind might be accomplished without the necessity of detailed amendments to the many places in the Act which apparently have befogged the intent of Congress, by adding this phraseology to Subdivision (b) of Section 408:

(b) *Provided further*, That nothing in this Section nor in this Act shall be construed as preventing the ownership and operation of an air transport line, or the participation in the financing thereof, by any other person engaged in any other kind of transportation.

In the opinion of the Civil Aeronautics Board in this case and in all of the discussion of it that I have been able to find there has never been any question raised as to the efficiency of the American Export Airlines operation and its desirability from the viewpoint of broad public interest. Yet, right in the midst of war, a war where transport was a vital factor, the law, as interpreted, compelled the American Export Airlines to split away from the American Export Lines, Inc., compelled the company to defend itself in court against the action proposed by the Board, and finally to go through a complete reorganization. All of this had to go on at a time when the attention and energies of the operating officials of both the airlines and the steamship lines should have been devoted, without preoccupation, to the winning of the war. This seems to us very, very stupid, not only as to policy but also as to timing.

Boston-Maine—Northeast Airlines Case

Another very curious, and in some respects inexplicable, situation is found in the Boston-Maine Northeast Airlines case. The facts seem to be these:

Since 1931, when the Boston-Maine Airways, Inc., was organized, airline service has been conducted successfully and in harmony with the needs of the consuming public by the Boston & Maine RR. either through the original company or through the Northeast Airlines, which became the name of the company in 1940 when it was recapitalized.

After refinancing, as before, the railroad and other northern New England railroad lines owned a controlling interest in the airline. Early in 1941 the Boston & Maine and Maine Central railroads filed application with the Civil Aeronautics Board for approval, if any were required, for the acquisition of the stock which they held. On Aug. 28, 1943, more than two years later, the Civil Aeronautics Board gave an opinion that since the control of the Northeast Airlines was in the hands of the railroad group before the passage of the Civil Aeronautics Act of 1938, no approval was required.

On the same day that that decision was rendered an issue was raised by the Public Counsel in the case of the application of the airline for a certificate to operate into New York, as to whether railroad control of the Northeast Airlines was not involved in the application for the New York service, then pending. Northeast immediately petitioned the Board to open the record in the control case to show a reduction in railroad ownership. This petition was denied by the Board and the Boston & Maine and Maine Central were thus forced—perhaps jockeyed would be a better term—into the necessity of disposing of nearly all of their airline stock in order that the airline might extend its operations. All this was under the assumption of the Civil Aeronautics Board that they could not give such extension to an airline controlled by a surface carrier.

If this is good government, the less of it we have the better.

When there is such conflict of interpretation as in the case of Subsection (b) of Section 408, laymen would be well advised to leave phraseology to legal minds, possibly with a prayer that a better job will be done next time. But we do suggest, in the interest of sound future transport policy, that the Caspar Milquetoast, negative philosophy be taken out of this devilish subsection and that, among other necessary changes, there be substituted a positive statement as to what the Board must do. We hope you will provide that the Board *must* grant certificates without any consideration at all of the fact of the applicant's participation in, or ownership of, any other kind of carrier.

I am wondering, as a layman, and in this I am expressing my personal opinion and not necessarily that of the Transportation Association, how the opponents of participation in airline operation by surface carriers, who say they fear that surface carriers would hamper the development of aviation, fail to find hampering restrictions in the innumerable prohibitions in the Civil Aeronautics Act, against the participation of various kinds of private capital in airline development.

As to the "Intent" of Congress

In a brilliant analysis of American transportation policy the eminent transportation expert, T. W. Van Metre, Professor of Transportation at Columbia University, discusses at length the question of whether Congress has ever favored the unyielding position which the Civil Aeronautics Board has assumed with respect to inter-carrier control.

On page 10 of a pamphlet published by the National Federation of American Shipping, Professor Van Metre says:

In the original Act to Regulate Commerce—the Act of 1887, which with its many amendments and additions is now properly known as the Interstate Commerce Act—there was mention of the relationship between railroads and carriers by water, the only important commercial carriers of that time. There was no hint that there was any intent on the part of Congress that they should be mutually independent, that a rail carrier should not own and control a carrier by water or that a carrier by water should not control a railroad. Yet the Congress was aware that common control of these two types of carriers existed, for it provided in the law that where through rail and water service was under common control and management the regulatory provisions of the Act should extend to that part of the transportation service which was by water as well as to that part which was by rail. There was no indication that the Congress felt that the rail and water lines under common control should be divorced, nor that steam railroads should be forbidden in the future to acquire control of water carriers.

Later, on page 12 of the same pamphlet, Professor Van Metre says:

. . . let it be repeated, that in none of the laws enacted for the regulation of transportation before 1912 did the Congress require the separation of rail and water carriers, whether competitive or not; in none did it forbid the acquisition of one type of carrier by another; and in none did it give the slightest indication that it was the "intent" of the Congress that they should be "mutually independent." It endeavored to protect independent water carriers from unfair competition on the part of railroads, and this was the extent of its activity in the matter of the relationship between the two types of carriers.

On page 16 of the National Federation pamphlet Professor Van Metre draws an analogy between the attitude of Congress in the matter of water and rail competition to the situation presented by airlines and railways. He says:

The limitations which the Congress imposed upon railroad control of steamships were for the purpose of preserving and promoting competition. Competition between railroads and water carriers is real, purposeful; it is inevitable where the rival routes serve the same termini. This is because every kind of traffic that a railroad can carry can be carried by a steamship, and anything that a steamship can transport can be carried by a railroad. The record of experience tells us that there was, and there still is, need for a certain measure of Government control if competition between these types of carriers is to be preserved.

Similar statements cannot be made of the relationship between surface carriers and airplanes. Airplanes, at least in their present state of development, can carry only passengers, mail and light, valuable freight similar to much of the commodity traffic handled as railway express. The airplane, consequently, may be regarded as a supplementary or complementary transportation facility which can be owned and utilized by surface carriers without stifling competition or otherwise injuring the public interest. The reasons for limiting the power of a railroad to acquire control of a steamship, in the interest of preserving competition, are not so impelling, when we deal with the matter of control of air transportation by surface carriers, because the potential competition is not nearly so great. If, therefore, the Congress has deemed it necessary to limit but in small measure the power of a railroad to own and operate steamships, how much lighter should be its limitation on the right of surface carriers to own and operate carriers of the air! Where economic conditions are such as plainly to require little or no regulation, why should we have a policy that is excessively and burdensomely restrictive?

Professor Van Metre also has some very cogent and germane remarks on the analogy between the Motor Carrier Act of 1935 as originally written and the Civil Aeronautics Act, and quotes from a report of the Interstate Commerce Commission in 1928 which made the following recommendation:

That railroads, whether steam or electric, and water carriers subject to the act, should be specifically authorized to engage in the transportation of both persons and property by motor vehicle in interstate commerce.

Commenting on the special proviso in the Civil Aeronautics Act which has been interpreted as supporting the Civil Aeronautics Board's position in regard to the participation of other forms of transport in airline operation, Professor Van Metre points out that this proviso "is almost word for word a repetition of a similar proviso contained in Section 213 (a) (1) of the Motor Carrier Act as it was originally written."

As Professor Van Metre indicates, the Motor Carrier Act was amended in 1940 so that this proviso applies only to railroads and not to any other carrier which is not a highway carrier. The most important of Professor Van Metre's observations, in our judgment, is as follows:

It must be borne in mind, however, that this part of the act deals with the acquisition of an air carrier and not with the establishment of a *new* service. Yet the Civil Aeronautics Board has interpreted this section *not only as virtually forbidding a railroad or a steamship line or another surface carrier to acquire control of an existing air carrier, but virtually to disqualify a surface carrier from engaging directly or indirectly in the business of air transportation.* Moreover, it says that such disqualification was the "intent" of the Congress.

The late Colonel Edgar S. Gorrell, as President of the Air Transport Association, might be reasonably assumed to have had an important role in the enactment of the Civil Aeronautics Act. He was unquestionably in a position of great influence in presenting his opinions and advice to Congress. In his testimony before the House Committee on Merchant Marine and Fisheries, he made an enlightening statement on behalf of the air companies against a provision in Section 4 of HR 9710 which would have given the Maritime Commission power to subsidize air service. He said:

. . . If shipping or any other transportation companies wish to engage in air transportation, there is no reason why they should stand on any different basis from any other person desiring to enter this business.

The above quotation is taken from hearings before the Committee on Merchant Marine and Fisheries, House of Representatives, March 22 and 23, 1938, page 24.

This analysis by Professor Van Metre would seem clearly to indicate that the Interstate and Foreign Commerce Committee of the House of Representatives might reasonably be expected to apply itself to the problem of clarifying the "intent of Congress" for the benefit of the Civil Aeronautics Board, the courts and the Interstate Commerce Commission, and any other board, body or commission that may now have, or assume to have, or may have in the future, any jurisdiction in this matter.

And, gentlemen, it is our very earnest recommendation that you solve this problem by declaring a liberal policy or interpretation that will permit any properly qualified person, regardless of his participation in other forms of transport, to own, operate or assist in the financing of air transport.

Extent of Public Interest

This suggestion is of vital public interest as indicated by some figures that have been supplied to us by the Civil Aeronautics Board. Of the 789 applications for new services pending before the Board on April 30 of this year, not including applications for foreign air carrier permits, five were from

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railroads, ten from steamship companies, three from street railway companies, and 125 from motor carriers. The motor carrier applications included 43 filed by bus companies.

One of these bus applications is that of the Atlantic Greyhound Corporation for a helicopter service to be operated in connection with the company's bus lines. The plan of the company was fully described by Mr. Arthur Middleton Hill, President of the Greyhound Corporation and also President of the National Association of Motor Bus Operators, in a paper which he presented before the Institute of Transportation, to which I have previously referred. It appears on pages 127-132 of the *Proceedings* of the Institute.

One point which Mr. Hill emphasized is worth re-emphasizing here. "And it should be remembered," said Mr. Hill, "the capital upon which motor bus companies have operated is private capital. It has been attracted because of the ability of the bus companies to provide adequate earnings at the lowest transportation rates in history."

Mr. Hill points out that the bus industry proposes to establish a non-subsidized, multi-scheduled helicopter service operating between bus stations in downtown sections of approximately 1,000 cities and towns, and to coordinate this service with highway bus transportation. Here, then, is a proposal to inject some badly needed private capital into the operation of air service.

A Railroad Proposal

I wish also to call your attention to the application of the Eagle Air Lines, which is a subsidiary of the Missouri Pacific Lines and the Texas and Pacific Railway. The Eagle Air Lines proposes to service 108 cities in ten States—Texas, Louisiana, Tennessee, Arkansas, Oklahoma, Colorado, Kansas, Missouri, New Mexico and Nebraska. Eighty-eight of these cities do not now have any commercial airline service. The plans of the company are fully described in a pamphlet accompanied by maps and very interesting statistics. If this pamphlet has not been brought to the attention of your committee, I suggest that you study it as an exhibit of the kind of air-minded thinking at least one railroad is doing. What may be the plans of other railroads, bus and steamship companies, I cannot say, but it is the opinion of the Transportation Association no public good can come from obstacles to the fruition of such plans by any experienced transport agency. Such blocks to progress should be completely and definitely removed.

Mr. Chairman, and gentlemen, we have presented these recommendations of the Transportation Association not as an advocate of any interest represented in the Association's membership, and certainly not as the opponent of the development of any form of transportation, but solely in the public interest.

The recommendations of the Transportation Association for a national transportation policy have been endorsed in their main and underlying features by the United States Chamber of Commerce (through an overwhelmingly favorable vote of its member organizations), the National Industrial Traffic League, the American Bar Association, and many regional and local organizations.

The National Transportation Committee, of which Calvin Coolidge was Chairman, in a comprehensive report presented in conjunction with the Brookings Institution, made the following observations on Feb. 13, 1933:

> 1. Unprofitable railroad services should be replaced by cheaper alternative transportation methods.
>
> 2. Railroads should be permitted to own and operate competing services, including water lines. . . .
>
> 3. Government assumption of all or part of the costs of inefficient competing transport as a defense against monopoly is no longer warranted and should be abandoned.

This Committee advocated the consolidation of railroad systems, which the Association believes is fundamental to ultimate common ownership. But, the Association proposes competitive transportation companies—not regional consolidations.

On April 21, 1941, the late Joseph B. Eastman, then Chairman of the Interstate Commerce Commission, said:

> Clearly there are certain things which each type of carrier can do better than any of the others, and the ideal system would be one which would utilize them all accordingly, emphasizing cooperation and coordination and avoiding wasteful uses, but at the same time retaining a very considerable element of competition.

In 1926, the Interstate Commerce Commission, following a nationwide investigation of truck and bus operations, recommended that:

> There should be a definite coordination of all existing transportation on land, water and air.

The Joint Committee of the Railroads and Highway Users on Jan. 30, 1933, urged coordination:

> Opportunity should be given for rail carriers to engage, either directly or through subsidiaries, in motor vehicle service on highways on equal terms with all other transportation agencies in the same field. This should include the right to purchase, equally with all others, lines then in operation as well as to establish new lines.

In 1937 the Chamber of Commerce of the United States said:

> Operators of one form of transportation should not be barred by law from operating other forms when properly qualified by obtaining certificates or permits as required for other applicants.

The International Chamber of Commerce passed a resolution in 1935 as follows:

> Collaboration between railways and road transport, especially on mixed routes which follow successively the railway and the road, is desirable in the best interest of users.

The Association's thesis — its fundamental precept—is as follows:

> About 20% of the invested capital of this country is in transportation. All manufacturing, agricultural and mercantile investment is vitally dependent upon transportation. If, through public apathy, political assault, or financial default, an already well-entrenched bureaucracy gains control or ownership of transportation, nothing can save this country from State Socialism. Supply lines of business are the Marxist's first targets.

It will be seen, therefore, that the Association's perspective reaches much beyond even the wide scope of transportation itself and its problems, into the whole field of our American system of free enterprise. Transportation is the absolutely essential and controlling link between the producing machine and the consumer. Clog it up and both the producer and the consumer suffer. Force it into the control of bureaucrats under Government operation and all industry will be socialized as inevitably as night follows day—and that will be a dark night indeed for the people of this nation.

It is for this reason, gentlemen, that we look upon the amendments which we have proposed for HR 674 as of far-reaching significance and earnestly urge you to consider them in their bearing upon the policy which is recommended by the Transportation Association of America.

Wallace Favors Free Enterprise

Secretary of Commerce Henry A. Wallace, appearing before the House Small Business Committee, expressed himself as being in favor of "free competition" in business, and on being cross-examined by a Republican member of the committee said that he had always believed in free competition where it worked efficiently, according to the Associated Press from Washington, May 29, which continued:

Mr. Wallace advocated "drastically revised" taxes to aid post-war employment and production and submitted a program to encourage the development of small business.

The discussion of his economic philosophy developed when he declared: "Small business injects into the blood stream of industry and commerce the health-giving properties of free competition. Free competition is the great regulatory agency which ideally causes industry and trade to adapt themselves to social purpose.

"As free competition disappears from our economy, its place is inevitably taken by government regulation. Complete disappearance of free competition, then, means eventually complete regulatory control by the state with all the dangers that implies to the continuance of the ideals of American democracy."

Mr. Wallace declared his plea for small business "is not based on any antipathy toward large business as such," adding: "For I fully realize that, in some fields, production can be carried on economically only by operating on a large scale."

Representative Leonard W. Hall, Republican, of New York, told Mr. Wallace his statement didn't seem to gibe with assertions he had made in the past. Representative Hall read from Mr. Wallace's book, "Whose Constitution," which the Congressman said referred to a system of "free competition and the devil take the hindmost," and in another place mentioned a "co-operative commonwealth."

Mr. Wallace said he believed in a co-operative way of life where it is most efficient and the corporation way of life where it is most efficient.

While giving no details of tax revisions he said were needed after the war, Mr. Wallace made two specific recommendations for immediate encouragement to small business:

1. Government guaranty of long-term loans by private financing institutions, to provide capital financing to new and established small-business enterprises.

2. Immediate revision of taxes to allow a larger "plow back" of capital by small business. He suggested increasing the excess profits tax exemption from $10,000 to $25,000 and other methods of improving the cash position of small business as recommended yesterday by the Commerce Department's Small Business Advisory Committee.

Commerce and Industry Association Supports Bill to Control Government Corporations

Senator Robert F. Wagner, Chairman of the Committee on Banking and Currency, and Representative Carter Manasco, Chairman of the House Committee on Expenditures in the Executive Departments, each member of both committees, on May 29, received from the Commerce and Industry Association of New York a letter urging him to support passage of the Government Corporation Control Act, which would put all Federal corporations on a business-like basis under more direct Congressional control.

Wrote Thomas Jefferson Miley, Association Secretary, "The Commerce and Industry Association of New York, Inc., believes that Congress should have information regarding, and supervision and control over, all government corporations and their scope of operation, and further, that the government corporations' accounts should be subject to audit and budgetary control."

The bills would require that wholly-owned government corporations submit, through the Director of the Budget, a detailed budget program to Congress for its modification and approval. Specific requirements are provided. These include estimates of administrative expenses, estimates of necessary borrowing by the corporation, estimates of the amount of capital funds to be returned to the Treasury during the fiscal year, and appropriations required to provide for the reissuance of authorized capital or the restoration of capital impairments.

With regard to wholly-owned and mixed ownership corporations provision is made for the General Accounting Office to audit the financial transactions each year and to submit such audits to Congress. In addition, certain general provisions would require a stricter fiscal responsibility to the Secretary of the Treasury by these corporations with regard to the issuance and redemption of corporation obligations.

Summarizing the situation, Mr. Miley wrote, "The government corporation was designed as an administrative technique in order to obtain maximum efficiency and effectiveness in certain specified fields of activity. The advantages, however, resulting from the use of the corporation as such a technique, raise unusual problems in the realm of administrative and fiscal management as well as in the over-all responsibility of Congress for the activities of the corporation."

Ford Discusses Reconversion Plans

Henry Ford, II, Executive Vice-President of the Ford Motor Company, predicted a huge post-war market for automobiles and added "if everybody will get in and pitch we'll get somewhere after this war," according to the Associated Press from Detroit, June 1. The report continued that young Ford had made it clear that by everybody he meant labor, management and government alike.

"For our part," the top executive officer of the Ford company asserted, "we plan to employ as many workers as possible and pay them as high a wage as we possibly can. But there must be a fair day's work for a fair day's pay.

"Wages are a part of the product. They are not the result of the employer's generosity or the employee's ability to bring pressure to bear. The minute you start paying high wages for no work you create a situation where there is a lot of money and nothing to buy with it. That's what we have today.

"Confidence is our first need—confidence that work brings reward."

Ford said that the WPB's program of 200,000 cars during the remainder of 1945 did not permit any company to produce its quota on an economical basis. "Yet," he said, "we've got to do it in order to get going."

He predicted a period of widespread unemployment during the reconversion period "if we're not given permission to make more cars," and if aid is not given industry through the lifting of other Government restrictions and controls.

The Ford share of the 200,000 program will be approximately 40,000 cars. That was 10 days' output for the Ford plants in 1941.

It will cost the Ford company, he said, $150,000,000 to get back into full-scale peacetime production. Ford plans construction of four new assembly plants and 10 parts depots in different sections of the country.

Ford said that the first Ford models will incorporate a number of engineering advances developed in war production, but will not be drastically different from prewar cars. The new lower-priced, lighter-weight model already announced will not be among the first cars to be assembled.

The type of engine is yet to be determined, he said, adding that three differene kinds had been tried out.

Change NRDGA Meeting

The Second Absecon Conference to be sponsored by the National Retail Dry Goods Association will be transferred from the Seaview Country Club at Absecon, N. J., to the Pennsylvania Hotel, New York and the dates will be changed to June 26, 27 and 28, it was made known on (May 24), by Lew Hahn, NRDGA General Manager.

This change has been made necessary by the fact that so many members of the Association's Board and its Postwar Committee have found the previously selected dates would prevent their attendance. The Seaview Country Club was unable to accomodate the conference at any other time. Consequently the scene of this important business monference will be the Penn Top at the Pennsylvania Hotel.

At the Conference manufacturers and retailers will discuss the possibilities of closer cooperation in the postwar period as a means of creating and maintaining jobs through better selling activities.

The Conference as planned will begin with a dinner on the evening of Tuesday, June 26th, with the 27th devoted to this inter-trade discussion and the Association's board of directors will go into session the evening of the 27th or the morning of the 28th.

After Tax Evaders

Funds are being sought by Secretary of the Treasury Morgenthau from Congress and the Budget Bureau to cover cost of recruiting 5,000 additional treasury field agents whose work it will be to uncover cases of tax evasion, the Associated Press reported from Washington, May 24.

Stating that there were 1,500 agents in this work at present, Mr. Morgenthau added that a minimum of 5,000 more were needed at once to enable the department to prosecute the thousands of cases known to exist. He added, "I have been giving a lot of time myself to this drive we are making against people in the black market who are not paying taxes. I'm in dead earnest about this."

Steel Operations Slightly Up — Cancellations Higher, but Fail to Keep Pace With Cutbacks

"Until those in charge of the big push against Japan have all their plans 'ready to go,' the current confusion over cutbacks and cancellations as it affects steel mill output will continue," states "The Iron Age" in its issue today (June 7), which further goes on to say: "Cancellations of steel orders have failed to keep pace with war contract cutbacks and although higher than at any time in the war, they have not opened up any appreciable space on mill order books.

"Apparently puzzled by the failure of its order board to clear as rapidly as had been expected, WPB has followed its request to users to cancel unnecessary orders with spot inquiries as to which orders have not been cancelled. If its findings warrant, a full investigation of maximum inventory violations may follow. Even though such tactics might produce minor openings on steel schedules, prospects still are slight that much if any steel will be available in the third quarter on unrated orders.

"There is little doubt that many steel orders now on the books will probably never be shipped because of subsequent cancellations. In the meantime, however, keeping such business on steel mill schedules has made the space unavailable for material which could definitely be utilized. This situation is preventing an orderly estimate as to the availability of civilian steel and it presages a period probably a few months hence when the steel industry may receive such an avalanche of cancellations that an orderly change-over to civilian output will be a difficult if not an impossible task.

"On paper the steel industry is permitted to fill certain steel orders for civilian uses after July 1, but from a practical standpoint firm delivery schedules cannot be set up or even vague promises given as long as mill schedules cannot accommodate unrated business.

"Net orders this past week were again the lightest so far this year. The volume in some instances ran as much as 65% below peaks established earlier this year. Cancellations and adjustments in some cases amounted to half of the gross incoming order volume. Hardest hit have been alloy steel orders and decreased requirements for these types of steel are believed to be a factor in the Chicago District ingot rate decline to 95.5%, the lowest in four years with the exception of strike periods.

"Shell steel cancellations are reaching the mill level and June schedules at some mills call for a production drop of about 50%. Producers are closely watching increased demand for high strength steel currently running at a volume about 50% higher than in 1944, with about half going to direct war production."

The American Iron and Steel Institute on June 4 announced that telegraphic reports which it had received indicated that the operating rate of steel companies having 94% of the steel capacity of the industry will be 91.1% of capacity for the week beginning June 4, compared with 91.0% one week ago, 95.1% one month ago and 97.8% one year ago. The operating rate for the week beginning June 4 is equivalent to 1,668,600 tons of steel ingots and castings, compared to 1,666,800 tons one week ago, 1,741,900 tons one month ago, and 1,751,900 tons one year ago.

"Steel" of Cleveland, in its summary of the iron and steel markets, on June 4, stated in part as follows:

"Prospects for rolling of much unrated steel during third quarter are not bright, except possibly in plates.

"There is a possibility the situation may change in the next few weeks, but is not regarded as probable. Recent cancellations, mainly in Army aircraft, have not been appreciably reflected in steel schedules and effect of military curtailments in the past month has not been as pronounced as had been expected. Influence of cutbacks may become more pronounced by the end of June as Washington is able to appraise needs in the Pacific and estimate how much equipment can be shifted from Europe. Decline in steel backlogs as a result of cutbacks has been moderate and has had relatively little effect on nearby deliveries. Where gaps have appeared they have been filled promptly by other war work or essential civilian requirements.

"Under this situation it would not appear there will be any drastic cut in steel output in third quarter, especially in view of the heavy unrated tonnage now pressing for scheduling. However, there may be noticeable decline in steel demand, in view of the many problems of changing to civilian production. Among drawbacks to heavy steel consumption in the transition are difficulties of proper timing of various materials and parts required in manufacturing assemblies or building projects.

"Pricing is an important element, as many small manufacturers claim they will not be able to market their normal civilian products at a profit under present high costs and lack resources to carry them until price restrictions may be eased.

"Requirements for rehabilitation in Europe are beginning to shape up. At least 20,000 tons of plates have just been distributed under lend-lease for France and 14,000 tons of shapes have been placed with one mill. How much of this type of order will be placed under lend-lease in the next few months is not certain.

"Pig iron production in April totaled 4,785,659 net tons, compared with 5,227,790 tons in March and 5,243,410 tons in April, 1944. Cumulative tonnage for four months this year was 19,521,211 tons, against $21,082,127 tons in the comparable period in 1944. Capacity engaged in April was 86.4% compared with 91.4% in March and 95.3% in April, 1944.

"Alloy steel output in April totaled 918,378 net tons, against 992,143 tons in March. The April tonnage was made up of 595,695 tons from open-hearth furnaces and 322,683 tons from electric furnaces. Hot-topped carbon steel production in April was 1,425,964 tons, compared with 1,479,123 tons in March.

"Average composite prices of steel and iron products are steady at Office of Price Administration ceilings except for steelmaking scrap, which is slightly below because of weakness in the East. Finished steel composite is $58.27, semi-finished steel $37.80 and steelmaking pig iron $24.05. Steelmaking scrap composite is $19.00."

Landon to Confer with President Truman

The White House has announced that Alfred M. Landon, former Kansas Governor and Republican Presidential nominee in 1936, has accepted President Truman's invitation to confer with him, and that a date convenient for both was being arranged for the meeting.

The 1944 Republican nominee, Governor Thomas E. Dewey of New York, has also been asked to the White House.

The State of Trade

(Continued from page 2534)

ity for the week beginning June 4, compared with 91% one week ago. This week's operating rate represents an increase of 0.1% from last week's rate and is equivalent to 1,668,600 net tons of steel ingots and castings, compared to 1,666,800 net tons last week and 1,751,900 tons one year ago.

Railroad Freight Loading—Carloadings of revenue freight for the week ended May 26, 1945, totaled 882,437 cars, the Association of American Railroads announced. This was an increase of 13,803 cars, or 1.6% above the preceding week this year and 13,616 cars, or 1.6% above the corresponding week of 1944. Compared with a similar period of 1943, an increase of 28,654 cars, or 3.4% is shown.

Electric Production—The Edison Electric Institute reports that the output of electricity decreased to approximately 4,329,605,000 kwh. in the week ended May 26, 1945, from 4,377,221,000 kwh. in the preceding week. Output for the week ended May 26, 1945, was 0.9% above that for the corresponding weekly period one year ago.

Consolidated Edison Co. of New York reports system output of 161,100,000 kwh. in the week ended May 27, 1945, comparing with 188,800,000 kwh. for the corresponding week of 1944, or a decrease of 14.6%.

Local distribution of electricity amounted to 160,400,000 kwh., compared with 185,400,000 kwh. for the corresponding week of last year, a decrease of 13.5%.

Britan's Export Trade Revival—Britan's determination to revive its export trade as soon as possible will raise one, and probably two, international reparations issues, according to "Business Week's" report on the war and business abroad.

"The moment German coal production satisfies Allied military requirement, London will demand a share of the surplus in order to release domestic coal for export.

"If German heavy industry is allowed to revive, London will also demand a share of output in order to release domestic output to boost exports. The same may be true of consumer goods lines.

"The rumor that Britain is angling to become the postwar oil distributing center for western Europe through enlargement of the wartime pipelines under the Channel to the continent shouldn't be taken too seriously. Important as the 1,000,000 gallon a day delivery of oil was during the military period, shipping contineus to be of primary interest in Britain."

Coal, Coke and Crude Oil Production—For weekly coal and coke production statistics and daily average crude oil production figures for the week ended May 26, 1945, see subsequent pages of this section.

Paper Production — Paper production for the week ended May 26 was 92% of capacity, as against 92½% of capacity for the preceding week, the American Paper and Pulp Association's index of mill activity disclosed. As for paperboard, production for the same period was reported at 97% of capacity, unchanged from the previous week.

Business Failures Decline — In the week ending May 28, commercial and industrial failures dropped to the lowest number this year and were less than a third the number in the comparable week of 1944. Dun & Bradstreet, Inc. reports 12 concerns failing against 15 in the previous week and 33 in the same week of last year.

Large failures involving liabilities of $5,000 or more fell from 12 last week to 9 in the week just ended, and were a little over half of the 16 in the corresponding week a year ago. Small failures remained at 3, unchanged from the previous week.

Most of the week's failures occurred in retailing and commercial service. The Middle Atlantic and New England States accounted for all but two of the week's failures. In the Middle Atlantic region failures were less than half as numerous as a year ago.

There were no Canadian failures as compared with one both in the previous week and in the corresponding week of 1944.

Wholesale Food Price Index Unchanged — The wholesale food price index, compiled by Dun & Bradstreet, Inc., as of May 29 remained at $4.08, the third successive week without change. This was 2.0% above last year's $4, but it represented a drop of 0.7% from the same date two years ago when it stood at $4.11. Advances for the week included rye, cheese, and steers. Declines occurred in sheep and lambs. The index represents the sum total of the price per pound of 31 foods in general use.

Wholesale Commodity Price Index — The daily price index of wholesale commodities, compiled by Dun & Bradstreet, Inc., disclosed firmness in wholesale prices which was well maintained during the past week. The index registered 176.86 on May 29, as against 176.76 a week earlier. For the corresponding date one year ago it stood at 171.77.

Retail and Wholesale Trade—Despite unseasonably cool weather, retail volume for the country as a whole increased slightly in the previous week, according to Dun & Bradstreet, Inc. Women's summer apparel and other seasonal merchandise continued to bask in the spotlight. Men's sportswear, garden equipment, summer home furnishings and toilet articles all sold well. Food volume, however, dropped moderately compared with the previous week and for last year.

Cottons continued popular as consumers selected dresses, bathing suits, and play clothes. Black and white dresses were especially featured. Retail stocks of popular-priced cotton dresses were fairly adequate and volume was generally above that of last year.

White shoes, millinery, handbags, and toilet articles were popular. Volume in piece goods was maintained in woolens, decreased in cottons, and increased in rayons. Volume in men's furnishings continued to be held down by small selections.

Garden supplies and home furnishings were heavily demanded and sales were well maintained. Many stores reported that cotton, fiber, and linen rugs sold as soon as they arrived; selections of floor coverings were narrow. Furniture volume was about even with the previous week, with an active interest in good quality.

Despite continued consumer demand and good sales of fresh produce, food volume was under a year ago. Meat and poultry sales last week were lower for the country as a whole, as shortages spread. With supplies of eggs and fish large in some regions and in good demand, generally volume was well sustained.

Retail volume for the country was estimated at 4 to 8% above a year ago. Regional percentage increases were: New England 0 to 3, East 5 to 8, Middle West 3 to 6, Northwest 4 to 7, South and Southwest 6 to 10, Pacific Coast 7 to 11.

Business in many wholesale markets remained largely unchanged last week due to sustained demand and the unimproved supply situation. Although fall openings brightened the scene in some apparel markets, buying has not yet reached its peak. Food volume was still below that of last week and a year ago.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended May 26, 1945 increased by 9% and compared with a gain of 1% (revised) in the preceding week. For the four weeks ended May 26, 1945, sales increased by 3%, and for the year to date by 12%.

Retail sales volume here in New York City for the past week showed a precipitate rise over the week previous. In the wholesale markets here, a better spirit obtained due to the fact that efforts are at last under way to relieve the acute shortage in textiles. Hopes are entertained that a better outlook for worsted goods may result from the steps undertaken on Tuesday last by the woolen industry in presenting a plan to the WPB to this end.

According to the Federal Reserve Bank's index, department store sales in New York City for the weekly period to May 26, 1945, increased by 15% above the same period of last year. This compared with a gain of 2% in the preceding week. For the four weeks ended May 26, 1945, sales rose by 4%, and for the year to date by 12%.

U. S. Casualties

A report on American combat casualties in World War II shows them to have passed the million mark, the Associated Press reports from Washington, May 31, and states.

The Army has lost 890,019 men and the Navy 112,868, a total of 1,002,887. These casualties, suffered in three years and five months of fighting, represent an increase of 6,798 over last week's report.

A breakdown of Army casualties as reported today by Under-Secretary of War Patterson and corresponding figures for the preceding week follow: Killed 183,563 and 181,739; wounded, 553,088 and 550,506; missing, 52,746 and 57,802; prisoners, 100,622 and 96,478. Of the wounded, 309,646 have returned to duty.

Similar figures for the Navy: Killed, 43,534 and 42,807; wounded, 54,380 and 52,005; missing, 10,709 and 10,505; prisoners, 4,245 and 4,247.

Patterson also named the five "hardest hit" divisions in the war. These are outfits which have suffered casualties in excess of the normal strength of an infantry division.

They were the Third, Forty-fifth, Thirty-sixth, Ninth and Fourth infantry divisions. All fought in North Africa, Sicily or Italy, or a combination of the three before serving in France and Germany, with the exception of the Fourth Division. The latter landed in Normandy on D day.

The losses of these divisions, based on initial reports received through April 30 and still subject to revision, follow:

	Killed	W'ded	Mis'g	Total
Third Division	6,240	24,793	3,191	34,224
45th Division	3,747	19,403	4,403	27,553
36th Division	3,974	19,052	4,317	27,343
Ninth Division	3,834	17,424	1,466	22,724
Fourth Division	3,808	16,951	791	21,550

Bank of France Notes Issued by Allies No Longer Legal Tender

It was made known on June 1 that the Federal Reserve Bank of New York has received from Banque de France, Paris, a cablegram reading in part as follows:

"This is to inform you that beginning the morning of June 4 notes of the Banque de France of 50 france and over and those of the same amounts issued by the allied armies in France will cease to be legal tender and will have to be exchanged for new notes. We request you to cease immediately purchasing these notes and ask the banks of your country to act in the same manner."

Moody's Bond Prices And Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following table.

MOODY'S BOND PRICES†
(Based on Average Yields)

1945— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings* Aaa	Aa	A	Baa	Corporate by Groups* R. R.	P. U.	Indus.
June 5	122.45	115.43	120.63	119.00	115.63	107.44	112.37	115.04	119.20
4	122.36	115.43	120.63	119.00	115.63	107.44	112.37	115.04	119.20
2	122.23	115.43	120.63	119.00	115.43	107.44	112.37	114.85	119.20
1	122.23	115.43	120.63	119.00	115.43	107.44	112.37	114.85	119.20
May 31	122.17	115.43	120.63	119.00	115.43	107.44	112.37	114.85	119.20
30	Stock Exchange Closed								
29	122.19	115.43	120.84	118.80	115.63	107.44	112.37	114.85	119.20
28	122.25	115.43	120.63	118.80	115.63	107.44	112.37	114.85	119.20
26	122.29	115.43	120.63	118.80	115.43	107.44	112.19	114.85	119.20
25	122.29	115.43	120.63	118.80	115.43	107.44	112.19	114.85	119.20
24	122.29	115.43	120.43	118.80	115.43	107.44	112.19	114.85	119.20
23	122.33	115.24	120.63	118.60	115.43	107.27	112.19	114.66	119.20
22	122.33	115.24	120.43	118.60	115.43	107.27	112.19	114.66	119.20
21	122.31	115.43	120.63	118.80	115.43	107.27	112.19	114.66	119.41
19	122.31	115.43	120.63	118.80	115.43	107.27	112.19	114.66	119.41
18	122.31	115.43	120.63	118.80	115.43	107.27	112.19	114.66	119.41
17	122.31	115.24	120.63	118.60	115.43	107.09	112.19	114.46	119.41
16	122.25	115.24	120.63	118.60	115.43	107.09	112.37	114.46	119.20
15	122.19	115.24	120.63	118.60	115.43	107.27	112.19	114.46	119.20
14	122.21	115.24	120.63	118.60	115.43	107.27	112.19	114.46	119.41
12	122.26	115.24	120.84	118.40	115.63	107.09	112.19	114.46	119.20
11	122.26	115.24	120.84	118.40	115.43	107.09	112.19	114.46	119.41
10	122.28	115.24	120.84	118.40	115.43	107.09	112.19	114.46	119.41
9	122.34	115.24	120.84	118.40	115.43	107.09	112.19	114.27	119.41
8	122.38	115.24	120.84	118.40	115.24	107.09	112.19	114.27	119.41
7	122.38	115.24	120.84	118.20	115.43	107.09	112.19	114.27	119.41
5	122.38	115.24	120.84	118.40	115.43	107.09	112.19	114.27	119.41
4	122.38	115.24	120.84	118.40	115.24	107.09	112.00	114.27	119.41
3	122.38	115.04	120.63	118.40	115.24	106.92	112.00	114.27	119.41
2	122.38	115.24	120.84	118.40	115.24	107.09	112.19	114.27	119.41
1	122.36	115.24	120.84	118.40	115.24	107.09	112.19	114.27	119.41
Apr. 27	122.38	115.24	120.84	118.40	115.04	107.09	112.19	114.27	119.20
20	122.44	115.04	120.84	118.40	115.04	106.56	111.81	114.27	119.20
13	122.59	115.04	120.84	118.60	115.04	106.56	111.81	114.46	119.20
6	122.21	115.04	120.84	118.40	115.04	106.39	111.44	114.46	119.20
Mar. 31	122.01	114.85	121.04	118.40	114.85	106.04	111.25	114.27	119.20
23	122.19	115.04	121.04	118.60	114.85	106.21	111.44	114.27	119.41
16	122.25	115.04	120.84	118.80	114.66	106.39	111.07	114.46	119.41
9	122.47	114.85	120.63	118.60	114.66	106.21	110.88	114.46	119.41
2	122.05	114.66	120.43	118.60	114.46	106.21	110.70	114.27	119.61
Feb. 23	121.92	114.66	120.02	118.60	114.46	106.04	110.52	114.08	119.41
16	121.97	114.46	120.02	118.60	114.27	105.69	110.15	114.08	119.41
9	121.58	114.27	119.82	118.40	114.08	105.69	109.97	114.08	119.20
2	121.33	114.08	119.82	118.00	113.89	105.34	109.60	114.08	118.80
Jan. 26	120.88	113.89	119.41	118.00	113.70	105.17	109.24	113.89	118.60
High 1945	122.59	115.43	121.04	119.00	115.63	107.44	112.37	115.04	119.61
Low 1945	120.55	113.50	118.80	117.80	113.31	104.48	108.52	113.70	118.20
1 Year Ago June 5, 1944	119.92	112.19	118.40	116.80	111.81	102.63	106.04	113.70	117.00
2 Years Ago June 5, 1943	119.93	110.34	118.40	116.02	111.07	97.78	102.30	113.50	116.02

MOODY'S BOND YIELD AVERAGES
(Based on Individual Closing Prices)

1945— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings* Aaa	Aa	A	Baa	Corporate by Groups* R. R.	P. U.	Indus.
June 5	1.63	2.88	2.62	2.70	2.87	3.31	3.04	2.90	2.69
4	1.63	2.88	2.62	2.70	2.87	3.31	3.04	2.90	2.69
2	1.64	2.88	2.62	2.70	2.88	3.31	3.04	2.91	2.69
1	1.64	2.88	2.62	2.70	2.88	3.31	3.04	2.91	2.69
May 31	1.65	2.88	2.62	2.71	2.88	3.31	3.04	2.91	2.69
30	Stock Exchange Closed								
29	1.65	2.88	2.61	2.71	2.87	3.31	3.04	2.91	2.69
28	1.64	2.83	2.62	2.71	2.87	3.31	3.04	2.91	2.69
26	1.64	2.88	2.62	2.71	2.88	3.31	3.05	2.91	2.69
25	1.64	2.88	2.62	2.71	2.88	3.31	3.05	2.91	2.69
24	1.64	2.88	2.63	2.71	2.88	3.31	3.05	2.91	2.69
23	1.64	2.89	2.62	2.72	2.88	3.32	3.05	2.92	2.69
22	1.64	2.89	2.63	2.72	2.88	3.32	3.05	2.92	2.69
21	1.64	2.88	2.62	2.71	2.88	3.32	3.05	2.92	2.68
19	1.64	2.88	2.62	2.71	2.88	3.32	3.05	2.92	2.68
18	1.64	2.83	2.62	2.71	2.88	3.32	3.05	2.92	2.68
17	1.64	2.89	2.62	2.72	2.88	3.33	3.05	2.93	2.68
16	1.64	2.89	2.62	2.72	2.88	3.33	3.04	2.93	2.69
15	1.65	2.89	2.62	2.72	2.88	3.32	3.05	2.93	2.69
14	1.64	2.89	2.62	2.72	2.88	3.32	3.05	2.93	2.68
12	1.64	2.89	2.61	2.73	2.87	3.33	3.05	2.93	2.69
11	1.64	2.89	2.61	2.73	2.88	3.33	3.05	2.93	2.68
10	1.64	2.89	2.61	2.73	2.88	3.33	3.05	2.93	2.68
9	1.64	2.89	2.61	2.73	2.88	3.33	3.05	2.94	2.68
8	1.63	2.89	2.61	2.73	2.89	3.33	3.05	2.94	2.68
7	1.63	2.89	2.61	2.74	2.88	3.33	3.05	2.94	2.68
5	1.63	2.89	2.61	2.73	2.88	3.33	3.05	2.94	2.68
4	1.63	2.89	2.61	2.73	2.89	3.33	3.06	2.94	2.68
3	1.63	2.90	2.62	2.73	2.89	3.34	3.06	2.94	2.68
2	1.63	2.89	2.61	2.73	2.89	3.33	3.05	2.94	2.68
1	1.63	2.89	2.61	2.73	2.89	3.33	3.05	2.94	2.68
Apr. 27	1.63	2.89	2.61	2.73	2.90	3.33	3.05	2.94	2.69
20	1.63	2.90	2.61	2.73	2.90	3.36	3.07	2.94	2.69
13	1.62	2.90	2.61	2.72	2.90	3.36	3.07	2.93	2.69
6	1.64	2.90	2.61	2.73	2.90	3.37	3.09	2.93	2.69
Mar. 31	1.66	2.91	2.60	2.73	2.91	3.39	3.10	2.94	2.69
23	1.65	2.90	2.60	2.72	2.91	3.38	3.09	2.94	2.68
16	1.65	2.90	2.61	2.71	2.92	3.37	3.11	2.93	2.68
9	1.66	2.91	2.62	2.72	2.92	3.38	3.12	2.93	2.68
2	1.69	2.92	2.63	2.72	2.93	3.38	3.13	2.94	2.67
Feb. 23	1.69	2.92	2.65	2.72	2.93	3.39	3.14	2.95	2.68
16	1.69	2.93	2.65	2.72	2.94	3.41	3.16	2.95	2.68
9	1.72	2.94	2.66	2.73	2.95	3.41	3.17	2.95	2.69
2	1.73	2.95	2.66	2.75	2.96	3.43	3.19	2.95	2.71
Jan. 26	1.77	2.96	2.68	2.75	2.97	3.44	3.21	2.96	2.72
High 1945	1.80	2.98	2.71	2.76	2.99	3.48	3.25	2.97	2.74
Low 1945	1.62	2.88	2.60	2.70	2.87	3.31	3.04	2.90	2.67
1 Year Ago June 5, 1944	1.82	3.05	2.73	2.81	3.07	3.59	3.39	2.97	2.80
2 Years Ago June 5, 1943	1.87	3.15	2.73	2.85	3.11	3.89	3.61	2.98	2.85

*These prices are computed from average yields on the basis of one "typical" bond (3¾% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages, the latter being the true picture of the bond market.

†The latest complete list of bonds used in computing these indexes was published in the issue of Jan. 14, 1943, page 202.

Wholesale Prices Up 0.1% for Week Ended May 26

Prices for commodities in primary markets continued to edge upward during the week ended May 26. Higher prices for fruits and vegetables and bituminous coal were largely responsible for the 0.1% rise in the general level, said the United States Department of Labor in its weekly report on wholesale prices issued on May 31, which further said: "The Bureau of Labor Statistics all-commodity index for the week advanced to 105.9% of the 1926 level. It was 0.2% above the last week of April and nearly 2% higher than at this time last year."

The announcement continued:

"Farm Products and Foods — Because of higher OPA adjusted ceilings to compensate for increased costs and also minor seasonal advances, average prices for fresh fruits and vegetables, particularly in eastern markets, rose 3.5% during the week. Higher prices were also reported for corn, cotton and for sheep. These increases caused a rise of 0.8% in the general level of prices for farm products in primary markets. Lower market quotations were reported for rye and wheat and for lemons. Average prices for farm products were at the level of the last week in April and the net advance over a year ago has been 5.5%.

"Food prices in primary markets rose 0.6% primarily due to the advance in the fresh fruits and vegetables markets and higher prices for rye flour. Since the last week of April prices for foods have advanced nearly 1% and were approximately 2.5% above the last week in May a year ago.

"Industrial Commodities—The recent increase granted by OPA to bituminous coal producers continued to be reflected in average prices for coal which rose 0.2% during the week. The advance was not large enough to affect the group index for fuel and lighting materials. Aside from this increase and higher prices for galvanized wire fence there were few changes in industrial commodity markets during the week. The advance in wire prices was partially offset by a further decline in quotations for quicksilver. With the exception of the 0.1% rise in the index for metals and metal products the level for all other industrial commodity groups remained unchanged from the previous week."

The Labor Department included the following notation in its report:

Note—During the period of rapid changes caused by price controls, materials allocation, and rationing, the Bureau of Labor Statistics will attempt promptly to report changing prices. The indexes must be considered as preliminary and subject to such adjustment and revision as required by later and more complete reports.

The following tables show (1) indexes for the principal groups of commodities for the past three weeks, for April 28, 1945 and May 27, 1944, and (2) the percentage changes in subgroup indexes from May 19, 1945 to May 26, 1945.

WHOLESALE PRICES FOR WEEK ENDED MAY 26, 1945
(1926=100)

Commodity Groups—	5-26 1945	5-19 1945	5-12 1945	4-28 1945	5-27 1944	Percentage change to May 26, 1945 from— 5-19 1945	4-28 1945	5-27 1944
All commodities	105.9	105.8	105.7	105.7	103.9	+0.1	+0.2	+1.9
Farm products	130.5	129.5	129.5	130.5	123.7	+0.8	0	+5.5
Foods	107.4	106.8	106.6	106.5	104.9	+0.6	+0.8	+2.4
Hides and leather products	118.3	118.3	118.3	118.3	117.7	0	0	+0.5
Textile products	99.1	99.1	99.1	99.1	97.3	0	0	+1.8
Fuel and lighting materials	84.6	84.6	84.3	83.9	83.9	0	+0.8	+0.8
Metals and metal products	104.4	104.3	104.4	104.3	103.8	+0.1	+0.1	+0.6
Building materials	117.2	117.2	117.2	117.0	115.6	0	+0.2	+1.4
Chemicals and allied products	94.9	94.9	94.9	94.9	95.5	0	0	—0.6
Housefurnishing goods	106.2	106.2	106.2	106.2	106.0	0	0	+0.2
Miscellaneous commodities	94.6	94.6	94.6	94.6	93.3	0	0	+1.4
Raw materials	118.5	117.9	117.9	118.2	113.6	+0.5	+0.3	+4.3
Semimanufactured articles	94.8	94.8	94.8	94.8	93.6	0	0	+1.3
Manufactured products	102.1	102.1	102.0	101.9	101.1	0	+0.2	+1.0
All commodities other than farm products	100.5	100.5	100.4	100.3	99.6	0	+0.2	+0.9
All commodities other than farm products and foods	99.7	99.7	99.6	99.5	98.7	0	+0.2	+1.0

PERCENTAGE CHANGES IN SUBGROUP INDEXES FROM MAY 19, 1945 TO MAY 26, 1945

Increases

Fruits and vegetables	3.5	Grains	0.3
Other farm products	1.4	Bituminous coal	0.2

National Fertilizer Association Commodity Price Index Rises Substantially to New High

The weekly wholesale commodity price index compiled by The National Fertilizer Association and made public on June 4, for the week of June 2, 1945, advanced substantially to a new high of 141.4 from 140.7 for the preceding week. A month ago the Index stood at 140.4 and a year ago at 137.0, all based on the 1935-1939 average as 100. The Association's report continued as follows:

The farm products group remained unchanged, the gains in the cotton and grains indexes being offset by a decline in the livestock index. The foods index advanced slightly, the higher quotations on cheese and potatoes being partly overcome by a lower quotation on cottonseed oil. The metals index made a substantial increase due to a higher quotation on finished steel, as did the fuels index because of the higher quotation on bituminous coal. The increase in the building materials index was due to higher prices on wire nails and building brick. All other groups of the index remained unchanged.

During the week 11 price series in the index advanced and 2 declined; in the preceding week there were 8 advances and 3 declines; in the second preceding week there were 7 advances and 5 declines.

WEEKLY WHOLESALE COMMODITY PRICE INDEX
Compiled by The National Fertilizer Association
1935-1939=100*

% Each Group Bears to the Total Index	Group	Latest Week June 2, 1945	Preceding Week May 26, 1945	Month Ago May 5, 1945	Year Ago June 3, 1944
25.3	Food	142.7	142.6	141.8	137.5
	Fats and Oils	144.9	145.3	145.3	143.0
	Cottonseed Oil	162.0	163.1	163.1	156.7
23.0	Farm Products	167.4	167.4	167.2	155.1
	Cotton	215.8	215.5	213.5	202.0
	Grains	164.8	163.7	163.6	164.7
	Livestock	160.6	161.0	160.8	144.0
17.3	Fuels	132.0	130.4	130.4	130.1
10.8	Miscellaneous Commodities	133.7	133.7	133.7	132.2
8.2	Textiles	157.2	157.2	156.9	152.4
7.1	Metals	108.0	104.7	104.7	104.4
6.1	Building Materials	155.4	154.4	154.4	153.4
1.3	Chemicals and Drugs	125.4	125.4	125.4	127.7
.3	Fertilizer Materials	118.3	118.3	118.3	117.7
.3	Fertilizers	119.9	119.9	119.9	119.7
.3	Farm Machinery	104.8	104.8	104.8	104.4
100.0	All groups combined	141.4	140.7	140.4	137.0

*Indexes on 1926-1928 base were: June 2, 1945, 110.2; May 26, 1945, 109.6, and June 3, 1944, 106.7.

Announce Convoy System in Atlantic Ends

The British Admiralty announced the suspension of war-time ocean convoys in non-combat areas, effective May 28, the Associated Press reported from London on that date. The announcement also stated that blackout restrictions were lifted and vessels would be permitted to burn navigation lights at full brilliancy.

The announcement said ships which would have sailed under convoy in areas outside the combat zone could sail independently, thus speeding the movement of all ocean traffic.

In Washington the United States Navy made a similar announcement.

While the Admiralty did not specify what it considered non-combat zones, it was reported unofficially that it includes the Atlantic, Mediterranean, North Sea and English Channel.

Opening up of the Atlantic sea lanes for independent sailings of trade ships appeared to indicate that the last of the German submarines either had surrendered or been accounted for. It was reported last week that at least twelve "pirate" U-boats were believed riding somewhere in the Atlantic or attempting to make their way to Japan.

Shipping convoys were ordered immediately after the declaration of war, and the system was expanded after Germany resorted to long-range bomber attacks and the "pack" technique of submarine warfare. American over-age destroyers, given to England in exchange for naval bases, were used in British convoy operations.

The Admiralty disclosed that up to the beginning of 1945 more than 9,000 convoys safely entered or cleared British ports. At least one convoy sailed with 150 ships. Great battles, some extending over several days and nights, were fought against aerial and submarine attackers.

Results Of Treasury Bill Offering

The Secretary of the Treasury announced on June 4 that the tenders of $1,300,000,000 or thereabout of 91-day Treasury bills to be dated June 7 and to mature Sept. 6, 1945, which were offered on June 1, were opened at the Federal Reserve Banks on June 4.

The details of this issue are as follows:

Total applied for, $2,071,391,000.

Total accepted, $1,302,298,000 (includes $50,554,000 entered on a fixed price basis at 99.905 and accepted in full).

Average price, 99.905, equivalent rate of discount approximately 0.375 per annum.

Range of accepted competitive bids.

High, 99.908, equivalent rate of discount approximately 0.364% per annum.

Low, 99.905, equivalent rate of discount approximately 0.376% per annum.

(56% of the amount bid for at the low price was accepted).

There was a maturity of a similar issue of bills on June 7 in the amount of $1,309,916,000.

Moody's Daily Commodity Index

Tuesday, May 29, 1945	257.3
Wednesday, May 30	*
Thursday, May 31	256.9
Friday, June 1	257.3
Saturday, June 2	257.2
Monday, June 4	257.3
Tuesday, June 5	257.3
Two weeks ago, May 22	257.3
Month ago, May 4	256.8
Year ago, June 3, 1944	250.7
1943 High, April 1	249.8
Low, Jan. 2	240.2
1944 High, May 26	257.4
Low, Jan. 24	252.1

*Holiday.

Weekly Coal and Coke Production Statistics

The total production of soft coal in the week ended May 26, 1945, is estimated by the Bureau of Mines at 11,815,000 net tons, an increase of 455,000 tons, or 4.0%, over the preceding week, according to the United States Department of the Interior. Output in the corresponding week of 1944 was 12,286,000 tons. The total production of soft coal from Jan. 1 to May 26, 1945, as estimated at 238,970,000 net tons, a decrease of 8.0% when compared with the 259,714,000 tons produced during the period from Jan. 1 to May 27, 1944.

Production of Pennsylvania anthracite for the week ended May 26, 1945, as estimated by the Bureau of Mines, was 1,275,000 tons, an increase of 1,230,000 tons over the preceding week in which period the hard coal mines were idle. When compared with the output in the corresponding week in 1944 there was a decrease of 94,000 tons. The calendar year to date shows a decrease of 23.5% when compared with the same period in 1944.

The Bureau also reported that the estimated production of beehive coke in the United States for the week ended May 26, 1945, showed an increase of 8,000 tons when compared with the output for the week ended May 19, 1945; but was 12,700 tons less than for the corresponding week of 1944.

ESTIMATED UNITED STATES PRODUCTION OF BITUMINOUS COAL AND LIGNITE IN NET TONS

	Week Ended			Jan. 1 to Date	
Bituminous coal & lignite—	May 26, 1945	May 19, 1945	May 27, 1944	*May 26, 1945	May 27, 1944
Total, including mine fuel	11,815,000	11,360,000	12,286,000	238,970,000	259,714,000
Daily average	1,969,000	1,893,000	2,048,000	1,915,000	2,056,000

*Subject to current adjustment.

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE

(In Net Tons)

	Week Ended			Calendar Year to Date		
Penn. anthracite—	‡May 26, 1945	§May 19, 1945	May 27, 1944	May 26, 1945	May 27, 1944	May 29, 1937
*Total incl. coll. fuel	1,275,000	45,000	1,369,000	20,616,000	26,963,000	23,841,000
†Commercial produc.	1,224,000	43,000	1,314,000	19,790,000	25,884,000	22,649,000
Beehive coke—						
United States total	130,800	122,800	143,500	2,382,200	3,148,100	1,544,100

*Includes washery and dredge coal, and coal shipped by truck from authorized operations. †Excludes colliery fuel. ‡Subject to revision. §Revised.

ESTIMATED WEEKLY PRODUCTION OF BITUMINOUS COAL AND LIGNITE, BY STATES, IN NET TONS

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

	Week Ended		
State—	May 19, 1945	May 12, 1945	May 20, 1944
Alabama	412,000	390,000	350,000
Alaska	7,000	6,000	6,000
Arkansas and Oklahoma	83,000	76,000	92,000
Colorado	114,000	116,000	115,000
Georgia and North Carolina	1,000	1,000	1,000
Illinois	1,400,000	1,130,000	1,453,000
Indiana	537,000	455,000	527,000
Iowa	42,000	41,000	35,000
Kansas and Missouri	128,000	114,000	166,000
Kentucky—Eastern	978,000	977,000	960,000
Kentucky—Western	380,000	350,000	376,000
Maryland	34,000	30,000	41,000
Michigan	3,000	3,000	2,000
Montana (bitum. & lignite)	80,000	70,000	79,000
New Mexico	26,000	30,000	37,000
North & South Dakota (lignite)	34,000	34,000	29,000
Ohio	730,000	642,000	698,000
Pennsylvania (bituminous)	2,712,000	2,390,000	3,012,000
Tennessee	134,000	131,000	138,000
Texas (bituminous & lignite)	1,000	1,000	2,000
Utah	124,000	108,000	135,000
Virginia	333,000	348,000	387,000
Washington	24,000	30,000	31,000
†West Virginia—Southern	2,016,000	1,976,000	2,172,000
‡West Virginia—Northern	848,000	1,024,000	1,001,000
Wyoming	178,000	172,000	166,000
§Other Western States	1,000	*	1,000
Total bituminous & lignite	11,360,000	10,645,000	12,012,000

†Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason, and Clay counties. ‡Rest of State, including the Panhandle District and Grant, Mineral, and Tucker counties. §Includes Arizona and Oregon. *Less than 1,000 tons.

Electric Output for Week Ended June 2, 1945 Exceeds That for Same Week Last Year by 1.4%

The Edison Electric Institute, in its current weekly report, estimated that the production of electricity by the electric light and power industry of the United States for the week ended June 2, 1945, was approximately 4,203,502,000 kwh., which compares with 4,144,490,000 kwh. in the corresponding week a year ago and 4,329,605,000 kwh. in the week ended May 26, 1945. The output of the week ended June 2, 1945, was 1.4% in excess of that for the same week last year.

PERCENTAGE INCREASE OVER PREVIOUS YEAR

	Week Ended			
Major Geographical Divisions—	June 2	May 26	May 19	May 12
New England	2.2	0.5	3.8	*0.5
Middle Atlantic	0.0	*3.2	*1.3	*3.0
Central Industrial	2.7	2.2	4.7	1.9
West Central	3.9	2.6	6.8	7.9
Southern States	6.8	6.7	8.2	8.9
Rocky Mountain	*0.1	0.0	6.1	6.0
Pacific Coast	*3.3	*0.9	0.3	*2.0
Total United States	1.4	0.9	3.1	1.5

*Decrease under similar week in previous year.

DATA FOR RECENT WEEKS (Thousands of Kilowatt-Hours)

Week Ended—	1945	1944	% Change over 1944	1943	1932	1929
March 3	4,472,110	4,464,686	+ 0.2	3,946,630	1,538,452	1,702,570
March 10	4,446,136	4,425,630	+ 0.5	3,944,679	1,537,747	1,687,229
March 17	4,397,529	4,400,246	— 0.1	3,946,836	1,514,553	1,683,262
March 24	4,401,716	4,409,159	— 0.2	3,928,170	1,480,208	1,679,589
March 31	4,329,478	4,408,703	— 1.8	3,889,858	1,465,076	1,633,291
April 7	4,321,794	4,361,094	— 0.9	3,882,467	1,480,738	1,696,543
April 14	4,332,400	4,307,498	+ 0.6	3,916,794	1,469,810	1,709,331
April 21	4,411,325	4,344,188	+ 1.5	3,925,175	1,454,505	1,699,822
April 28	4,415,889	4,336,247	+ 1.8	3,866,721	1,429,032	1,688,434
May 5	4,397,330	4,233,756	+ 3.9	3,903,723	1,436,928	1,698,942
May 12	4,302,381	4,238,375	+ 1.5	3,969,161	1,435,731	1,704,426
May 19	4,377,221	4,245,678	+ 3.1	3,992,250	1,425,151	1,705,460
May 26	4,329,605	4,291,750	+ 0.9	3,990,040	1,381,452	1,615,085
June 2	4,203,502	4,144,490	+ 1.4	3,925,893	1,435,471	1,689,925
June 9		4,264,600		4,040,376	1,441,532	1,699,227
June 16		4,287,251		4,098,401	1,440,541	1,702,501
June 23		4,325,417		4,120,038	1,456,961	1,723,428
June 30		4,327,359		4,110,793	1,341,730	1,592,075

Trading on New York Exchanges

The Securities and Exchange Commission made public on May 30 figures showing the volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the week ended May 12, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

Trading on the Stock Exchange for the account of members (except odd-lot dealers) during the week ended May 12 (in round-lot transactions) totaled 2,927,737 shares, which amount was 16.34% of the total transactions on the Exchange of 8,955,630 shares. This compares with member trading during the week ended May 5 of 2,708,738 shares, or 15.69% of the total trading of 8,634,260 shares. On the New York Curb Exchange, member trading during the week ended May 12 amounted to 633,680 shares or 16.30% of the total volume on that exchange of 1,943,690 shares. During the May 5 week trading for the account of Curb members of 595,402 shares was 14.11% of the total trading of 2,110,115.

Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members* (Shares)

WEEK ENDED MAY 12, 1945

	Total for week	†%
A. Total Round-Lot Sales:		
Short sales	252,030	
‡Other sales	8,703,600	
Total sales	8,955,630	
B. Round-Lot Transactions for Account of Members, Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	816,130	
Short sales	118,240	
‡Other sales	680,280	
Total sales	798,520	9.01
2. Other transactions initiated on the floor—		
Total purchases	352,550	
Short sales	30,300	
‡Other sales	328,810	
Total sales	359,110	3.97
3. Other transactions initiated off the floor—		
Total purchases	256,240	
Short sales	16,450	
‡Other sales	328,737	
Total sales	345,187	3.36
4. Total—		
Total purchases	1,424,920	
Short sales	164,990	
‡Other sales	1,337,827	
Total sales	1,502,817	16.34

Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members* (Shares)

WEEK ENDED MAY 12, 1945

	Total for week	†%
A. Total Round-Lot Sales:		
Short sales	29,495	
‡Other sales	1,914,195	
Total sales	1,943,690	
B. Round-Lot Transaction for Account of Members:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	186,765	
Short sales	10,010	
‡Other sales	169,760	
Total sales	179,770	9.43
2. Other transactions initiated on the floor—		
Total purchases	48,505	
Short sales	4,200	
‡Other sales	52,080	
Total sales	56,280	2.69
3. Other transactions initiated off the floor—		
Total purchases	47,190	
Short sales	3,050	
‡Other sales	112,120	
Total sales	115,170	4.18
4. Total—		
Total purchases	282,460	
Short sales	17,260	
‡Other sales	333,960	
Total sales	351,220	16.30
C. Odd-Lot Transactions for Account of Specialists—		
Customers' short sales	0	
§Customers' other sales	78,839	
Total purchases	78,839	
Total sales	70,140	

*The term "members" includes all regular and associate Exchange members, their firms and their partners, including special partners.

†In calculating these percentages the total of members' purchases and sales is compared with twice the total round-lot volume on the Exchange for the reason that the Exchange volume includes only sales.

‡Round-lot short sales which are exempted from restriction by the Commission's rules are included with "other sales."

§Sales marked "short exempt" are included with "other sales."

Post-War Trend of Commodity Prices Discussed by First National of Boston

"The most important single economic factor in the post-war period will be the behavior of commodity prices," says The First National Bank of Boston in its monthly letter. Continuing the Bank says, "To have a healthy economy it is necessary that there be equitable price relationships among commodities so that the various groups can exchange goods with one another. Wars not only cause a violent upheaval in prices but also a distortion in price relationships.

"During a period of hostilities a spectacular commodity price advance takes place because of the superimposed heavy demands of governments for war goods and equipment, the great expansion of credit, blockades, and the serious disruption of commerce and shipping. But some time after the close of the conflict, when the warring nations again return to production on a more normal basis, the vacuum created by wartime restrictions disapears and prices tend downward. This is the general pattern expressed in simple terms.

"Since this war began, commodity prices have advanced about 40% and this compares with the gain of more than 100% that took place during World War I up to the time of the Armistice in November, 1918. On the other hand, farm prices so far in this war have advanced nearly 110%, or about the same as in the 1914-18 period.

"Based upon past performance, it is apparent that, with the exception of a possible inflationary trend of a year or so after the close of hostilities, the post-war trend of commodity prices is downward.

"There have been long periods of comparatively low prices in which there were high levels of production and employment. Following each of the depression periods of the '40s, the '70s and the '90s, industrial production averaged above normal for about a decade even though the annual average of commodity prices during those prosperous years ranged from 38% to 43% below the 1926 level. Thus it was demonstrated that high prices were not necessary for prosperity. The accumulated shortages of the depression period provided the necessary stimulus for recovery. This was followed by increased employment, higher prices, greater profits, and an advance in wages, and in this sequence a strong upward movement was generated which spread to all lines of activity. The increasing profits were used to employ more workers and to repair and expand plants and facilities. Recovery was brought about by private enterprise and not by Government intervention.

Ahearn Leaves RFC Post; To Join Wm. B. Nichols Co.

John W. Snyder, Federal Loan Administrator, on May 30 announced that T. J. Ahearn, Jr., had resigned as Manager of the RFC New York Loan Agency. Mr. Ahearn will become Vice-President Wm. B. Nichols & Company, Inc., Financial and Industrial Management Counsel, 475 Fifth Avenue, New York City.

The Board of Directors of the Reconstruction Finance Corporation have appointed William J. Farthing as Acting Loan Agency Manager. Mr. Farthing has been with the corporation since 1935 and for the past two years has held the position of Assistant Loan Agency Manager.

NYSE Odd-Lot Trading

The Securities and Exchange Commission made public on May 30 a summary for the week ended May 19 of complete figures showing the daily volume of stock transactions for odd-lot account of all odd-lot dealers and specialists who handled odd lots on the New York Stock Exchange, continuing a series of current figures being published by the Commission. The figures are based upon reports filed with the Commission by the odd-lot dealers and specialists.

STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE

Week Ended May 19, 1945

	Total For Week
Odd-lot Sales by Dealers (Customers' purchases)	
Number of orders	27,082
Number of shares	800,450
Dollar value	$31,846,473
Odd-Lot Purchases by Dealers—(Customers' sales)	
Number of Orders:	
Customers' short sale	194
*Customers' other sales	24,080
Customers' total sales	24,274
Number of Shares:	
Customers' short sales	6,743
*Customers' other sales	667,262
Customers' total sales	674,005
Dollar value	$24,760,216
Round-Lot Sales by Dealers—	
Number of Shares:	
Short sales	120
†Other sales	146,020
Total sales	146,140
Round-Lot Purchases by Dealers:	
Number of shares	286,630

*Sales marked "short exempt" are reported with "other sales."

†Sales to offset customers' odd-lot orders and sales to liquidate a long position which is less than a round lot are reported with "other sales."

Daily Average Crude Oil Production for Week Ended May 26, 1945 Decreased Only 700 Bbls.

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended May 26, 1945, was 4,866,765 barrels, a decrease of only 700 barrels from the preceding week. It was, however, 352,715 barrels per day more than produced in the corresponding week of last year and exceeded the daily average figure recommended by the Petroleum Administration for War for the month of May, 1945, by 265 barrels. Daily output for the four weeks ended May 26, 1945, averaged 4,855,915 barrels. Further details as reported by the Institute follow:

Reports received from refining companies indicate that the industry as a whole ran to stills on a Bureau of Mines basis approximately 4,950,000 barrels of crude oil daily and produced 15,194,000 barrels of gasoline; 1,449,000 barrels of kerosine; 4,667,000 barrels of distillate fuel, and 9,670,000 barrels of residual fuel oil during the week ended May 26, 1945; and had in storage at the end of that week; 48,265,000 barrels of civilian grade gasoline; 40,856,000 barrels of military and other gasoline; 8,246,000 barrels of kerosine; 29,184,000 barrels of distillate fuel, and 38,548,000 barrels of residual fuel oil.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	*P. A. W. Recommendations May	*State Allowables Begin. May 1	Actual Production Week Ended May 26, 1945	Change from Previous Week	4 Weeks Ended May 26, 1945	Week Ended May 27, 1944
Oklahoma	367,500	367,500	†385,700	+ 300	385,150	333,650
Kansas	274,000	269,400	†275,100	+ 3,800	267,600	283,550
Nebraska	1,000	----	†900	----	900	950
Panhandle Texas			90,000	----	90,000	91,000
North Texas			153,900	----	153,900	147,200
West Texas			495,300	----	495,300	429,150
East Central Texas			138,200	----	138,200	137,150
East Texas			379,800	----	379,800	364,100
South Texas			355,650	----	355,650	307,050
Coastal Texas			563,300	----	563,300	519,850
Total Texas	2,170,000	‡2,170,717	2,176,150	----	2,176,150	1,995,500
North Louisiana			70,250	— 850	70,850	73,550
Coastal Louisiana			299,800	----	299,800	283,100
Total Louisiana	360,000	400,800	370,050	— 850	370,650	356,650
Arkansas	80,000	78,786	80,000	+ 150	79,800	80,650
Mississippi	53,000		49,800	----	52,200	40,400
Alabama	300		450	----	450	100
Florida	----		15	----	15	50
Illinois	205,000		195,950	+ 1,300	195,650	208,500
Indiana	13,000		12,550	+ 100	11,900	13,450
Eastern— (not incl. Ill., Ind., Ky.)	67,200		63,000	— 1,950	63,750	71,900
Kentucky	31,000		27,700	+ 850	27,300	20,700
Michigan	47,000		46,600	+ 800	47,100	51,600
Wyoming	112,000		107,400	+ 450	107,400	85,750
Montana	23,000		20,300	— 550	20,700	21,300
Colorado	10,500		11,000	— 200	10,950	8,350
New Mexico	105,000	105,000	103,900	----	103,900	108,200
Total East of Calif	3,919,500		3,926,565	+ 4,200	3,921,565	3,681,250
California	947,000	§947,000	940,200	— 4,900	934,350	832,800
Total United States	4,866,500		4,866,765	— 700	4,855,915	4,514,050

*P.A.W. recommendations and state allowables, as shown above, represent the production of crude oil only, and do not include amounts of condensate and natural gas derivatives to be produced.

†Oklahoma, Kansas Nebraska figures are for week ended 7:00 a.m. May 24, 1945.

‡This is the net basic allowable as of May 1 calculated on a 31-day basis and includes shutdowns and exemptions for the entire month. With the exception of several fields which were exempted entirely and of certain other fields for which shutdowns were ordered for from 2 to 14 days, the entire state was ordered shut down for 6 days, no definite dates during the month being specified; operators only being required to shut down as best suits their operating schedules or labor needed to operate leases, a total equivalent to 6 days shutdown time during the calendar month.

§Recommendation of Conservation Committee of California Oil Producers.

CRUDE RUNS TO STILLS; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE, GAS OIL AND DISTILLATE FUEL AND RESIDUAL FUEL OIL, WEEK ENDED MAY 26, 1945

(Figures in thousands of barrels of 42 gallons each)

Figures in this section include reported totals plus an estimate of unreported amounts and are therefore on a Bureau of Mines basis

District—	% Daily Refining Capacity Reporting	Crude Runs to Stills Daily Average	Crude Runs to Stills % Operated	§Gasoline Production at Ref. Inc. Nat. Blended	‡Stocks of Gas Oil & Dist. Fuel Oil	‡Stocks of Residual Fuel oil	‡Gasoline Stocks Military and Other	‡Gasoline Stocks Civilian Grade
East Coast	99.5	732	92.5	1,748	5,923	5,575	5,477	8,126
Appalachian—								
District No. 1	76.8	104	71.2	284	344	198	1,132	1,229
District No. 2	81.2	65	130.0	174	96	136	382	1,122
Ind., Ill., Ky.	87.2	788	91.9	2,925	3,939	1,888	7,113	14,667
Okla., Kans., Mo.	78.3	393	83.8	1,448	1,690	1,146	2,219	7,048
Inland Texas	59.8	257	77.9	1,046	365	823	1,200	1,732
Texas Gulf Coast	89.3	1,188	96.0	3,696	6,135	5,909	9,108	4,573
Louisiana Gulf Coast	96.8	267	102.7	918	1,517	1,429	2,349	2,114
No. La. & Arkansas	55.9	74	58.7	219	714	197	584	2,098
Rocky Mountain—								
District No. 3	17.1	12	92.3	38	21	35	20	56
District No. 4	72.1	111	69.8	379	275	592	658	1,724
California	85.8	959	96.5	2,319	8,165	20,620	10,614	3,776
Total U. S. B. of M. basis May 26, 1945	85.6	4,950	91.1	15,194	29,184	38,548	*40,856	48,265
Total U. S. B. of M. basis May 19, 1945	85.6	4,908	90.4	15,269	29,470	38,624	41,309	48,364
U. S. Bur. of Mines basis May 27, 1944		4,561		13,362	32,074	50,617	37,967	48,296

*Includes aviation and military grades, finished and unfinished, title to which still remains in the name of the producing company, solvents, naphthas, blending stocks currently indeterminate as to ultimate use, and 11,390,000 barrels unfinished gasoline this week, compared with 12,106,000 barrels a year ago. These figures do not include any gasoline on which title has already passed, or which the military forces may actually have in custody in their own or leased storage. ‡Stocks at refineries, at bulk terminals and in pipe lines. §Not including 1,449,000 barrels of kerosine, 4,667,000 barrels of gas oil and distillate fuel oil and 9,670,000 barrels of residual fuel oil produced during the week ended May 26, 1945, which compares with 1,546,000 barrels, 5,041,000 barrels and 9,646,000 barrels, respectively, in two preceding week and 1,609,000 barrels, 4,905,000 barrels and 8,434,000 barrels, respectively, in the week ended May 27, 1944.

Note—Stocks of kerosine at May 26, 1945, amounted to 8,246,000 barrels, as against 7,955,000 barrels a week earlier and 7,744,000 barrels a year ago.

Civil Engineering Construction $21,404,000 For Holiday-Shortened Week

Civil engineering construction in continental United States totals $21,404,000 for the short week due to the Memorial Day holiday. This volume, not including the construction by military engineers abroad, American contracts outside the country, and shipbuilding, is 8% lower than in the corresponding 1944 week, 31% below the previous four-week moving average, and compares with $35,016,000 reported to "Engineering News-Record" for the preceding week. The report made public on May 31 continued as follows:

Private construction for the week is 81% higher than in the 1944 week, but public construction is down 20% due to the 30% decrease in Federal work. State and municipal construction, $4,300,000, is 29% greater than in the week last year.

The current week's construction brings 1945 volume to $685,541,000 for the 22 weeks, 9% below the $757,233,000 reported for the period in 1944. Private construction, $191,141,000, is 11% higher than a year ago, but public construction, $494,400,000, is down 16% as a result of the 21% drop in Federal construction. State and municipal construction, $95,411,000, tops its 22-week 1944 volume by 18%.

Civil engineering construction volumes for the 1944 week, last week, and the current week are:

	June 1, 1944 (four days)	May 24, 1945 (five days)	May 31, 1945 (four days)
Total U. S. Construction	$23,214,000	$35,016,000	$21,404,000
Private Construction	2,911,000	7,470,000	5,260,000
Public Construction	20,303,000	27,546,000	16,144,000
State and Municipal	3,344,000	4,623,000	4,300,000
Federal	16,959,000	22,923,000	11,844,000

In the classified construction groups, gains over the 1944 week are in bridges, industrial buildings, and unclassified construction. Increases over last week are in bridges, and industrial buildings. Subtotals for the week in each class of construction are: waterworks, $116,000; sewerage, $84,000; bridges, $603,000; industrial buildings, $4,764,000; commercial building and private mass housing, $300,000; public buildings, $4,933,000; earthwork and drainage, $173,000; streets and roads, $3,579,000; and unclassified construction, $6,852,000.

New capital for construction purposes for the week totals $12,930,000. It is made up of $10,851,000 in state and municipal bond sales, and $2,079,000 in corporate security issues. New construction financing for the year to date, $511,710,000, is 20% higher than the $427,497,000 reported for the 22 weeks of 1944.

Post-War Construction Planning Volume $21.0 Billions

Identified and recorded engineering construction projects proposed for construction in the post-war years total $21,021,120,000, according to reports to "Engineering News-Record" in the period from January 1, 1943 through May 24, 1945. Plans are under way or completed on post-war projects valued at $8,982,699,000, 42.7% of the total volume proposed, and on $1,329,308,000 worth of projects all financing arrangements have been completed.

Non-Ferrous Metals—Restrictions on Brass Mill Products Eased—Copper Stockpile Rises

"E. & M. J. Metal and Mineral Markets," in its issue of May 31, stated: "The sharp cutback in brass requirements, chief worry of the copper industry since April, led to WPB action last week to release brass mill products on unrated orders immediately. Demand for copper last week again was slow. The stockpile is certain to increase over the summer months, because purchases of foreign copper are expected to remain at a high level throughout the third quarter. Of general interest to producers of non-ferrous metals was the passage of the Trade Agreements bill by the House. Hearings on the measure started May 30 before the Senate Finance Committee. "The publication further went on to say in part:

Copper

Domestic production plus a fair tonnage of foreign copper have been sold so far for June shipment to consumers, but new supply available for next month will be substantial and leave a fairly large block of metal for the stockpile. The supply in the hands of the government now totals around 230,000 tons.

In view of recent sharp cutbacks in brass mill products, WPB announced last week that "open-ending" of CMP on unrated orders will go into effect immediately instead of on July 1. War requirements for communications wire have been reduced from 313,500 miles a month to 218,000 miles.

Mine output of copper in March contained 69,185 tons of copper, against 64,572 tons in February and 67,707 tons in January, the Bureau of Mines reports.

Lead

Lead sales were light last week, largely because producers sold all that they cared to sell for June shipment. As soon as the books are opened for July business the curve on new business will move upward. Sales for the week ended May 30 totaled 1,048 tons.

Washington officials still regard the lead supply outlook as tight. Most producers and consumers look for the situation to ease somewhat this summer.

Canada produced 24,578,012 lb. of lead in February, against 25,623,743 lb. in January and 29,753,989 lb. in February last year, according to the Dominion Bureau of Statistics.

Zinc

Allocation certificates for June zinc were released last week. Demand for Prime Western for galvanizing was good, but interest in High Grade was disappointing. Galvanizers have been granted permission by WPB to absorb an additional 20% of the amount of zinc used in the fourth quarter of 1944. Demand for galvanized products is excellent.

Production of zinc in Canada in February totaled 44,520,588 lb., against 49,506,177 lb. in January and 44,735,515 tons in February last year, the Dominion Bureau of Statistics reports.

Magnesium

Production of primary magnesium in March amounted to 6,658,000 lb., an increase of 11.7% over February, the Aluminum and Magnesium Division, WPB, reports. Recovery of the metal from secondary sources totaled 2,804,000 lb. in March, an increase of 32.5% over February's output.

Reflecting expanding war demands, shipments of magnesium products showed increase during March. Shipments of magnesium permanent mold and die castings were the largest on record.

The March and February statistics of the magnesium industry, in pounds, follow:

	March	Feb.
Magnesium production:		
Primary	6,658,000	5,960,000
Secondary	2,804,000	2,116,000
Product shipments:		
Castings—		
Sand	6,700,000	5,832,000
Permanent mold	683,000	658,000
Die	281,000	217,000
Wrought products—		
Forgings	28,000	14,000
Extrusions	277,000	238,000
Sheet, strip, etc.	248,000	208,000

Figures on fabricated products do not cover incendiary bomb body castings, extruded sheet stock and forging stock, and sticks.

Tin

Electrolytic tin-plate will be used for packing evaporated milk in six-ounce cans, the American Can Co. announced last week. This will account for an additional saving of some 646 tons of tin in 1945. Electrolytic tin-plate used will contain 0.75 lb. of tin per base box, or roughly three-quarters of a pound of tin per 1,000 cans.

There were no market developments in tin last week. The price of Straits quality tin for shipment, in cents per pound, was nominally as follows:

	June	July	August
May 24	52.000	52.000	52.000
May 25	52.000	52.000	52.000
May 26	52.000	52.000	52.000
May 28	52.000	52.000	52.000
May 29	52.000	52.000	52.000
May 30		Holiday	

Chinese, or 99% tin, continued at 51.125c. per pound.

Quicksilver

Demand for quicksilver showed no improvement last week, and the price situation remains unsettled. Spot metal was available at prices ranging from $152 to $155 per flask. On forward material the inside figure could have been shaded $2 per flask, covering both domestic and Spanish quicksilver. Uncertainty over war demands continues to retard business.

Pacific Coast producers report Market quiet, with quotations unchanged at $145 to $150 per flask, f. o. b. Coast.

Silver

Conservation Order M-199 has been amended by WPB, lifting all restrictions on the use of domestic silver. However, the Miscellaneous Minerals Division points out that the supply of semi-fabricated silver, chiefly wire and sheet, remains tight, and consumers desiring to purchase the metal in these forms may still encounter some difficulties. The designations domestic silver and Treasury silver have been combined and will be known as "domestic silver," according to the revised regulations. The quota provisions that restricted users of domestic silver to a percentage of their consumption of silver in a base year have been removed.

WPB restrictions on the use of foreign silver continue in effect, the announcement issued May 26 states.

The London silver market last week was unchanged at 25½d. The New York Official for foreign silver continued at 44¾c., with domestic metal at 70⅝c.

Cotton Exch. Dinner

The New York Cotton Exchange will celebrate its 75th anniversary with a Diamond Jubilee dinner at the Penn Top Roof Garden of the Hotel Pennsylvania the evening of August 15. Out-of-town cotton exchanges and trade associations are expected to send official delegations representing their organizations. Guests and speakers will include noted officials of the Federal Government and of the New York State and City Governments.

Revenue Freight Car Loadings During Week Ended May 26, 1945, Increased 13,803 Cars

Loading of revenue freight for the week ended May 26, 1945 totaled 882,437 cars, the Association of American Railroads announced on May 31. This was an increase above the corresponding week of 1944 of 13,616 cars, or 1.6%, and an increase above the same week in 1943 of 28,654 cars of 3.4%.

Loading of revenue freight for the week of May 26 increased 13,803 cars, or 1.6% above the preceding week.

Miscellaneous freight loading totaled 404,524 cars, a decrease of 224 cars below the preceding week, but an increase of 18,824 cars above the corresponding week in 1944.

Loading of merchandise less than carload lot freight totaled 108,792 cars, an increase of 423 cars above the preceding week and an increase of 3,560 cars above the corresponding week in 1944.

Coal loading amounted to 168,255 cars an increase of 19,656 cars above the preceding week, but a decrease of 13,079 cars below the corresponding week in 1944.

Grain and grain products loading totaled 53,564 cars, an increase of 375 cars above the preceding week and an increase of 12,439 cars above the corresponding week in 1944. In the Western Districts alone, grain and grain products loading for the week of May 26 totaled 37,269 cars, an increase of 404 cars above the preceding week and an increase of 11,027 cars above the corresponding week in 1944.

Livestock loading amounted to 13,744 cars, a decrease of 558 cars below the preceding week and a decrease of 366 cars below the corresponding week in 1944. In the Western Districts alone loading of live stock for the week of May 26 totaled 10,546 cars, a decrease of 310 cars below the preceding week, and a decrease of 56 cars below the corresponding week in 1944.

Forest products loading totaled 44,555 cars, an increase of 752 cars above the preceding week and an increase of 933 cars above the corresponding week in 1944.

Ore loading amounted to 73,658 cars, a decrease of 7,301 cars below the preceding week and a decrease of 9,083 cars below the corresponding week in 1944.

Coke loading amounted to 15,345 cars, an increase of 680 cars above the preceding week, and an increase of 388 cars above the corresponding week in 1944.

All districts reported increases compared with the corresponding week in 1944 except the Allegheny, Pocahontas and Northwestern. All reported decreases compared with 1943 except, the Southern, Centralwestern and Southwestern.

	1945	1944	1943
4 Weeks of January	3,001,544	3,158,700	2,910,638
4 Weeks of February	3,049,697	3,154,116	3,055,725
5 Weeks of March	4,018,627	3,916,037	3,845,547
4 Weeks of April	3,374,438	3,275,846	3,152,879
Week of May 5	863,399	835,538	816,538
Week of May 12	838,507	867,182	849,032
Week of May 19	868,634	870,075	843,842
Week of May 26	882,437	868,821	853,783
Total	16,897,283	16,946,315	16,327,984

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended May 26, 1945. During the period 75 roads showed increases when compared with the corresponding week a year ago.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS (NUMBER OF CARS) WEEK ENDED MAY 26

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1945	1944	1943	1945	1944
Eastern District—					
Ann Arbor	286	249	266	1,533	1,377
Bangor & Aroostook	1,290	1,065	842	351	587
Boston & Maine	7,089	7,140	6,281	13,436	14,866
Chicago, Indianapolis & Louisville	1,089	1,331	1,425	2,168	2,252
Central Indiana	41	30	42	63	41
Central Vermont	1,149	1,049	1,076	2,253	2,225
Delaware & Hudson	5,318	5,028	6,470	11,747	12,468
Delaware, Lackawanna & Western	7,768	7,913	8,117	11,273	11,284
Detroit & Mackinac	225	276	376	132	131
Detroit, Toledo & Ironton	1,848	1,798	1,762	1,232	1,183
Detroit & Toledo Shore Line	433	338	278	3,341	2,693
Erie	12,756	14,006	13,080	16,998	17,433
Grand Trunk Western	4,141	4,166	3,975	8,552	8,791
Lehigh & Hudson River	161	187	206	2,421	3,360
Lehigh & New England	2,256	1,810	2,240	1,381	1,708
Lehigh Valley	8,050	9,127	8,905	12,434	16,071
Maine Central	2,491	2,225	2,243	2,784	2,926
Monongahela	3,731	6,676	6,943	218	321
Montour	2,776	2,763	2,559	28	24
New York Central Lines	52,285	49,434	50,441	52,329	55,048
N. Y., N. H. & Hartford	10,660	9,949	10,228	18,399	19,110
New York, Ontario & Western	1,207	1,529	1,420	3,671	3,640
New York, Chicago & St. Louis	6,829	6,592	7,749	16,401	15,773
N. Y., Susquehanna & Western	437	462	536	2,369	2,143
Pittsburgh & Lake Erie	8,222	7,558	7,933	9,669	9,385
Pere Marquette	5,511	4,895	5,223	8,744	8,420
Pittsburg & Shawmut	943	881	1,059	25	58
Pittsburg, Shawmut & North	360	389	392	216	257
Pittsburgh & West Virginia	1,201	1,340	1,175	3,081	2,484
Rutland	390	406	352	1,209	1,103
Wabash	6,173	5,076	5,510	13,194	12,840
Wheeling & Lake Erie	6,488	5,370	6,425	4,620	4,190
Total	163,604	161,058	165,079	226,272	234,192
Allegheny District—					
Akron, Canton & Youngstown	769	718	760	1,264	1,258
Baltimore & Ohio	45,601	48,531	43,347	28,829	29,304
Bessemer & Lake Erie	5,538	6,589	6,587	2,072	2,119
Buffalo Creek & Gauley	†	†	288	†	†
Cambria & Indiana	1,620	1,664	1,884	15	9
Central R. R. of New Jersey	7,029	7,210	7,276	19,469	21,378
Cornwall	25	544	674	30	64
Cumberland & Pennsylvania	180	234	312	7	10
Ligonier Valley	113	170	162	38	24
Long Island	1,879	1,665	1,121	4,107	4,507
Penn-Reading Seashore Lines	1,785	1,706	1,817	2,198	2,891
Pennsylvania System	87,690	89,637	86,228	64,349	69,024
Reading Co.	15,292	15,916	15,596	27,661	28,126
Union (Pittsburgh)	19,353	20,680	21,302	7,320	7,698
Western Maryland	3,500	4,255	4,461	13,322	12,517
Total	190,374	199,519	191,815	170,681	178,929
Pocahontas District—					
Chesapeake & Ohio	29,560	29,850	30,366	16,520	14,370
Norfolk & Western	21,679	22,201	23,081	8,016	8,112
Virginian	4,804	4,857	4,986	2,821	2,276
Total	56,043	56,918	58,433	27,357	24,758
Southern District—					
Alabama, Tennessee & Northern	490	269	268	354	427
Atl. & W. P.—W. R. R. of Ala	887	790	622	2,671	3,142
Atlanta, Birmingham & Coast	1,002	711	733	1,509	1,514
Atlantic Coast Line	12,377	11,773	12,563	10,209	9,699
Central of Georgia	3,707	3,922	4,076	5,055	5,618
Charleston & Western Carolina	522	432	462	1,364	1,887
Clinchfield	1,686	1,693	1,608	2,987	3,199
Columbus & Greenville	221	228	333	349	279
Durham & Southern	123	137	99	957	653
Florida East Coast	1,232	1,515	2,201	1,221	1,269
Gainesville Midland	54	53	40	107	164
Georgia	1,229	1,265	1,235	2,695	2,962
Georgia & Florida	*431	395	343	*730	721
Gulf, Mobile & Ohio	5,750	4,252	3,758	4,929	4,329
Illinois Central System	29,441	28,824	27,112	18,378	16,022
Louisville & Nashville	27,450	26,305	26,692	12,456	12,341
Macon, Dublin & Savannah	220	184	170	960	958
Mississippi Central	459	265	219	538	640
Nashville, Chattanooga & St. L.	3,545	3,408	3,332	4,741	4,412
Norfolk Southern	1,107	1,005	1,181	1,709	1,650
Piedmont Northern	418	390	364	1,280	1,201
Richmond, Fred. & Potomac	513	430	413	11,514	11,068
Seaboard Air Line	10,993	10,406	10,574	8,485	9,063
Southern System	25,608	23,855	21,501	26,573	25,303
Tennessee Central	598	764	686	694	865
Winston-Salem Southbound	140	154	125	1,103	1,258
Total	130,203	123,425	120,710	123,568	120,643
Northwestern District—					
Chicago & North Western	19,233	20,844	19,309	14,451	13,583
Chicago Great Western	2,482	2,713	2,751	3,548	3,412
Chicago, Milw., St. P. & Pac.	21,866	20,689	21,491	10,903	10,686
Chicago, St. Paul, Minn. & Omaha	3,517	3,494	3,308	3,917	3,653
Duluth, Missabe & Iron Range	25,386	26,499	27,141	290	195
Duluth, South Shore & Atlantic	871	767	1,014	685	565
Elgin, Joliet & Eastern	9,102	9,193	8,577	10,695	11,990
Ft. Dodge, Des Moines & South	412	377	452	104	118
Great Northern	23,218	23,437	24,643	8,182	7,699
Green Bay & Western	427	495	432	994	990
Lake Superior & Ishpeming	2,333	2,707	2,514	54	47
Minneapolis & St. Louis	2,194	2,101	1,695	2,606	2,745
Minn., St. Paul & S. S. M.	7,154	6,836	6,413	3,368	4,188
Northern Pacific	11,616	10,599	10,452	6,391	6,511
Spokane International	281	178	175	622	800
Spokane, Portland & Seattle	2,566	2,366	2,689	3,816	3,005
Total	132,658	133,295	133,056	70,626	70,187
Central Western District—					
Atch., Top. & Santa Fe System	27,570	24,024	23,298	17,357	12,112
Alton	3,581	3,130	2,770	4,471	3,972
Bingham & Garfield	364	434	472	62	72
Chicago, Burlington & Quincy	19,023	18,416	17,404	12,623	12,556
Chicago & Illinois Midland	3,279	3,372	3,173	961	839
Chicago, Rock Island & Pacific	13,315	10,934	12,192	13,520	12,863
Chicago & Eastern Illinois	2,740	2,707	2,489	5,593	6,113
Colorado & Southern	615	574	731	2,461	2,518
Denver & Rio Grande Western	3,210	3,553	3,429	6,890	5,812
Denver & Salt Lake	531	622	649	36	17
Fort Worth & Denver City	1,127	765	768	2,165	1,631
Illinois Terminal	2,166	2,098	1,465	2,117	2,136
Missouri-Illinois	1,073	971	755	773	533
Nevada Northern	1,462	1,667	2,109	97	127
North Western Pacific	814	915	1,096	696	734
Peoria & Pekin Union	8	1	0	0	0
Southern Pacific (Pacific)	33,077	30,600	32,648	15,055	13,943
Toledo, Peoria & Western	342	287	326	2,340	1,977
Union Pacific System	15,174	14,172	13,050	19,694	18,624
Utah	466	505	554	2	5
Western Pacific	2,335	2,276	2,273	5,609	4,468
Total	132,272	122,023	121,651	112,522	101,052
Southwestern District—					
Burlington-Rock Island	340	267	867	908	460
Gulf Coast Lines	6,746	6,613	3,399	2,765	2,598
International-Great Northern	2,991	2,279	3,399	4,474	3,803
Kansas, Oklahoma & Gulf	280	299	208	1,001	1,020
Kansas City Southern	5,372	6,609	4,866	3,197	2,804
Louisiana & Arkansas	3,715	3,458	3,838	3,325	2,788
Litchfield & Madison	302	411	381	1,438	1,268
Midland Valley	782	641	243	999	556
Missouri & Arkansas	187	158	125	398	382
Missouri-Kansas-Texas Lines	7,219	6,284	4,927	5,304	5,051
Missouri Pacific	17,549	16,003	12,020	20,530	20,178
Quanah Acme & Pacific	129	81	58	411	366
St. Louis-San Francisco	10,138	8,745	7,765	9,281	8,966
St. Louis Southwestern	3,678	3,056	3,040	7,681	7,509
Texas & New Orleans	11,707	12,836	12,939	5,771	5,009
Texas & Pacific	5,932	4,710	4,854	8,235	7,098
Wichita Falls & Southern	118	112	85	51	103
Weatherford M. W. & N. W.	38	21	25	31	23
Total	77,283	72,583	63,039	75,800	69,982

*Previous week's figure. †Included in Baltimore & Ohio RR.
Note—Previous year's figures revised.

Weekly Statistics of Paperboard Industry

We give herewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry.

The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated. These figures are advanced to equal 100%, so that they represent the total industry.

STATISTICAL REPORTS—ORDERS, PRODUCTION, MILL ACTIVITY

Period 1945—Week Ended	Orders Received Tons	Production Tons	Unfilled Orders Remaining Tons	Percent of Activity Current	Percent of Activity Cumulative
February 3	204,550	148,139	565,064	92	91
February 10	149,590	151,307	560,960	93	92
February 17	145,541	149,816	553,609	93	92
February 24	131,989	152,755	529,238	97	93
March 3	181,377	150,486	558,285	96	93
March 10	177,711	152,611	580,804	94	93
March 17	129,948	153,625	557,986	95	93
March 24	137,911	158,551	537,005	99	94
March 31	178,483	162,386	549,631	100	94
April 7	203,891	146,832	604,720	92	94
April 14	159,733	158,938	604,214	97	94
April 21	125,708	162,040	564,631	98	95
April 28	142,387	158,854	546,311	99	95
May 5	223,162	161,764	605,892	97	95
May 12	152,208	153,111	602,717	94	95
May 19	126,285	158,532	565,867	97	95
May 26	129,327	157,794	532,257	97	95

Notes—Unfilled orders of the prior week, plus orders received, less production, do not necessarily equal the unfilled orders at the close. Compensation for delinquent reports, orders made for or filled from stock, and other items made necessary adjustments of unfilled orders.

Priority for Purchase of Govt. Surplus Goods

Federal, State and Local Governments May Purchase Surpluses Before Other Types of Purchases

The Government's Program for the disposal of surplus goods has taken on new interest for States and local governments by virtue of the issuance of Regulation 2 of the Surplus Property Board. Under this regulation, effective May 25, a system of priorities is established under which Federal agencies, State and local governments and political subdivisions and instrumentalities thereof are given an opportunity to purchase available surpluses before other types of purchasers.

The Department of Commerce in reporting this further said:

Lists of those categories of items in short supply in the inventory of the Department of Commerce, Office of Surplus Property, are now being issued to eligible agencies by the Department's Regional Offices. The Department of Commerce is one of four disposal agencies designated by the Surplus Property Board. It is responsible for the disposal of surplus consumer goods, automotive and construction equipment and farm machinery.

Surplus Property Board Regulation 2 establishes two priority periods during which eligible agencies may place orders. The Department of Commerce has set the eighteen-day period from June 1-18 inclusive as the priority period for federal agencies, and the twelve-day period from June 19-30 as the priority period for State and local governments.

During the period June 1-30 merchandise as shown on the list currently being circulated by the Regional Offices will be withheld from commercial sale.

Federal agencies must place their orders during the 18-day period ending June 18th. State and local governments may place their orders at any time from June 1-30. At the end of the 18-day period, orders of Federal agencies will be filled to the extent the available supply permits. At the close of the 12-day period ending June 30, orders of State and local governments will be filled to the extent the supply permits. In filling orders, first consideration will be given to those carrying War Production Board preference ratings.

Owing to the nature of the merchandise, much of which has been used, the Department of Commerce, Office of Surplus Property, is suggesting that agencies make arrangements to inspect any items in which they may be interested before placing their orders. Offerings are on a "where is" and "as is" basis, priced in accordance with the appraised fair value as determined by the Regional Office. Owing to the fact that the items offered during this interim period are in short supply and the fact that the Government reserves the right to withdraw any item prior to actual sale, purchasing agencies may find it difficult to locate the exact items and quantities which they desire. It will be helpful if inquiries from purchasing agencies are confined to those items and quantities which represent actual current needs.

The current listing of short-supply items is part of a preliminary 60-day program. On July 25 and thereafter, in accordance with the requirements of Surplus Property Board Regulation 2, Federal agencies and State and local governments will be given written notice of available property, in those categories for which they have expressed a need on Form SPB 7. This form will be distributed to the agencies by the Regional Offices during the latter part of June.

Items About Banks, Trust Companies

William E. Cable, Jr., Vice-President of Central Hanover Bank & Trust Co. of New York, retired on May 31 after completing 50 years of service. He went with the Hanover National Bank on May 20, 1895, and was the senior employee in length of service at the time of his retirement. Starting as mail boy, Mr. Cable was made Cashier of the bank in 1918, and in 1927 became Vice-President and Comptroller. Since 1930 Mr. Cable has been associated with the Corporate Trust Department in its Stock Transfer, Reorganization and Agency Divisions.

The New York Trust Company announced on June 4 today an increase in the dividend rate and a change in capital funds. At the meeting of the Board of Trustees a quarterly dividend of 4% ($1.00 par share) on the capital stock of the company was declared, payable July 2, 1945, to stockholders of record at the close of business on June 15, 1945.

The dividend for the first quarter of 1945 was 3½% ($0.87½ per share). At the same time the Board of Trustees approved the transfer of $5,000,000 from undivided profits to surplus, increasing this account to $35,000,000. The capital fund figures are now capital, $15,000,000; surplus, $35,000,000; undivided profits, $4,258,821.97; total, $54,258,821.97.

Irving LeRoy Bennett, Assistant Secretary of the New York Trust Company, retired on May 31 after 46 years of continuous service with the company. Mr. Bennett joined the staff of the Continental Trust Company of the City of New York, a predecessor institution, on Dec. 26, 1898, as a junior clerk. During his long service he has held various positions and was for many years in charge of the Transfer Department.

At a regular meeting of the Board of Directors of the National City Bank of New York held May 31 the following were appointed Assistant Cashiers: W. Carter Chapman, Jr., William J. Cosgriff, Mario DiGirolamo, John P. Garry, Thomas C. Houts, John C. Kelly, Claire O. Weidman and Harold J. Schondelmeier.

Percy H. Johnston, Chairman of the Chemical Bank & Trust Company of New York, announced the election of Robert W. Dowling to the Advisory Board of the Broadway at 44th Street office of the bank. Mr. Dowling is President and Director of the City Investing Company, which has important real estate and theatrical interests in the Time Square area. He is a Director of Station WOR, R. H. Macy & Co., Inc., Home Insurance Co. and New York Dock Co., and is a Trustee of the Emigrant Industrial Savings Bank, also of New York.

Stanley E. Clickener, one of the Auditors of the bank, is celebrating 50 years with the Union Dime Savings Bank, New York City, and was presented on May 28 with an embossed scroll—a testimonial passed by the Board of Trustees in recognition of his long service. On May 27, 1895, he joined the staff of the Union Dime. In the last half century he has seen the institution grow from a small bank, with deposits of about $14,000,000, to one of the large savings banks of the city, with approximately 150,000 depositors, and deposits of $177,000,000—more than 12 times the amount on deposit 50 years ago. The bank was then located at Greeley Square, but in 1910 moved to its present location at Sixth Avenue and 40th Street.

In honor of Mr. Clickener's long association with the bank, a dinner was given for him at the Hotel Henry Hudson on May 28, which was the occasion for inaugurating the "Quarter Century Club." The President of the bank, William L. DeBost, announced that while a 50-year service pin was presented to Stanley E. Clickener by the bank, 25-year service pins will be awarded to 18 other members of the staff who have been with the organization for that length of time.

The New York Agency of the Standard Bank of South Africa, Ltd., announced on June 4 the receipt of a cablegram from the head office in London, regarding the operations of bank for the year ended March 31, 1945, which states:

"The Board of Directors have resolved to recommend to the shareholders at the general meeting to be held on Aug. 29, next, payment of a final dividend of 7 shellings per share, together with a bonus of 2 shillings per share, both payable in British currency and subject to British income tax, making total distribution of 14% for the year ended March 31, 1945; to appropriate £50,000 to writing down bank premises, and £150,000 to Officers Pension Fund, carrying forward a balance of £198,994. Bank's investments stand in the books at less than market value as at March 31, last, and all other usual and necessary provisions have been made. The Directors have decided to transfer £500,000 from contingencies to the reserve fund thereby increasing the reserve fund to £$3,500,000.

Transfer books will be closed from Aug. 8 to 21, both days inclusive."

Reuben W. Shelter, Vice-President of the Manufacturers Trust Co., New York, died on June 1; he was 72 years of age. Mr. Shelter was connected with the Brooklyn branch of the company for 47 years.

Kenneth E. Smalley was recently appointed head of the mortgage loan department of the Manufacturers and Traders Trust Co., Buffalo, N. Y. Mr. Smalley, who has been with the bank since 1930 as at present Assistant Secretary.

In a letter to the stockholders of the Morris Plan Industrial Bank of Albany, N. Y., George W. Stedman advised sale of the stock to the Morris Plan Bank of New York. The stock of the bank is worth $26 par and has a structure of $150,000 capital and $150,000 surplus.

Charles H. De La Vergne, Kingston banker, who retired in 1937, died on June 1 at the age of 86. Mr. De La Vargne at various times between 1907 and 1937 served as Assistant Treasurer, Treasurer and Trustee of the Kingston Savings Bank, N. Y.

Jacob Kraus, Jr., Vice-President of the Central Home Trust Co., Elizabeth, N. J., resigned on May 29 to become Vice-President of the Colonial Life Insurance Company of America in Jersey City, N. J. Mr. Kraus will, however, retain his position on the Board of Directors of the Elizabeth institution.

Charles A. Bergen, President of the Franklin Trust Co., Paterson, N. J., died on June 1 at 75 years of age. He helped organize the Franklin Trust in 1916 and ten years later was elected President.

Lewis G. Cordner has recently been appointed Chairman of the National Committee on Debating and Public Speaking of the AIB. Mr. Cordner is connected with the Corn Exchange National Bank & Trust Co., Philadelphia, Pa.

William E. Lehne, Assistant Vice-President and Cashier of the Springfield Marine Bank, Springfield, Ill., died on May 30 at 69 years of age. This institution with which Mr. Lehne has been connected for many years is the oldest bank in Illinois.

Olin C. Peeler has recently resigned his position as Vice-President and Trust Officer of the First National Bank & Trust Co. of Lexington, Ky., to assume new executive duties with the Kentucky Trust Co., Louisville, Ky.

Mr. Peeler, who has been in the banking field for 16 years, was previously connected with the Guaranty Trust Co. of New York.

The Havana, Cuba, branch of the Canadian Bank of Commerce, which has been open since 1920 will close on June 30. Officials of the bank who announced the closing on June 1 gave no reason for the action.

E. L. Hann, Chairman and a Managing Director of Powell Duffryn, Ltd., has been appointed a director of Westminster Bank, Ltd., London, Eng.

Governm't Regulations Paralyzing Production

The contention that government regulations are "paralyzing production" was made by Charles F. H. Johnson, President of Botany Worsted Mills, of Passaic, N. J., in a complaint addressed to Repres. Gordon Canfield, Republican, of New Jersey, read to the House by Mr. Canfield on June 4.

Mr. Canfield noted that Mr. Johnson's Mills are among the largest in the nation, it was noted in Associated Press advices from Washington on June 4, as given in the New York "Herald Tribune," which also had the following to say:

"Mr. Johnson urged in the letter the abolition of the War Production Board order (M-388) designed to channel the limited civilian supplies of textiles into popular-priced clothing.

"Mr. Johnson said the OPA's maximum average price regulation has created 'a chaos of uncertainty when increased production at fair prices is wanted' and he advocated 'fundamental amendments to, or abandonment of' it.

"Elimination of the WPB wool yarn 'freeze' when the present order expires June 17 and immediate reduction of the 100% worsted yarn 'freeze' to 60 to 70% also were recommended by the textile executive.

"The Government regulations show 'a complete lack of comprehension of practical manufacturing and marketing and are destructive of the very things they aim to accomplished," Mr. Johnson said.

"The industry knows how to meet its own problems and is prepared to cope with any demands placed on it, he said, but 'we most decidedly resent being disorganized through Bureau rulings.'"

Posthumous Medal to Knox

The late Secretary of the Navy Frank Knox has received posthumously the Medal of Merit, which President Truman presented to Mrs. Knox in a White House ceremony attended by high-ranking military and naval officials, the United Press stated from Washington, May 31.

The medal, awarded only by the President, is the highest decoration given to civilians without special action of Congress. The citation read in part:

"Carrying on his manifold responsibilities with courage and fortitude undiminished to the last, he died gallantly in the service of his country."

Industrial Activity in April Reported by Federal Reserve Board

Summary of general business and financial conditions in the United States, based upon statistics for April and the first half of May, issued on May 26 by the Board of Governors of the Federal Reserve Board, said that, output and employment at factories declined somewhat in April. Department store sales showed a marked decline and wholesale commodity prices continued to advance slightly.

Industrial Production

Industrial production, which had advanced earlier this year, declined in April to the same general level that prevailed during the last half of 1944. The Board's seasonally adjusted index was 231% of the 1935-39 average as compared with 235 in the first quarter.

Activity in the machinery and transportation equipment industries declined about 3% in April, reflecting curtailed munitions production; the largest part of the decrease was accounted for by a further reduction in operations at shipyards. As a result of the decline in shipbuilding during the last 12 months, activity in the transportation equipment industries in April was 10% below a year ago.

The Board's report continued:

Steel production was maintained at the March level as a decline in output at open hearth furnaces was offset by a further rise in steel produced in electric furnaces. Production of nonferrous metals, which had increased somewhat during the first quarter of this year, showed little change in April. Output of stone, clay, and glass products was maintained at the first quarter level, while lumber production continued to decline.

Production of textiles and manufactured food products declined slightly in April and was at the level of a year ago. Cotton consumption showed a decrease of 5% from March but rayon shipments rose further to a record level. Activity at meatpacking establishments, which had shown little change during the first quarter after allowing for seasonal fluctuations, declined 10% in April. Output of rubber products decreased as the shortage of carbon black continued to limit production despite measures to stretch available supplies. Production of most other nondurable goods showed little change.

Bituminous coal production recovered in the latter part of April from a substantial decline earlier in the month due to work interruptions accompanying contract negotiations. Output for the month was 8% below that of March and in the first two weeks of May continued at this lower rate. Antharacite production in April was 14% higher than in the preceding month but declined sharply in May prior to agreement on a new wage contract on May 19. Output of crude petroleum has been maintained at record levels and iron ore production has shown an exceptionally large increase this Spring due to early opening of the navigation season on the Great Lakes.

Distribution

Department store sales declined sharply in April and the Board's seasonally adjusted index was 181% of the 1935-39 average as compared with an average of 211 in the first quarter and with 172 in April 1944. Sales in the first half of May were only slightly larger than in the corresponding period a year ago. Owing to unseasonably warm weather and expectations of shortages much Spring shopping, which would usually be done in April and May, occurred this year in February and March. In mid-April many stores were closed immediately following the death of President Roosevelt. Also, in particular cities part of the recent decrease in sales appears to have been associated with actual or anticipated income declines resulting from cutbacks in war production.

Freight carloadings of most manufactured products were maintained at a high level in April and the early part of May and were above the same period a year ago. Shipments of coal and lumber, however, were in smaller volume, reflecting reductions in output of these commodities.

Commodity prices

Wholesale prices of farm products advanced in April and then showed little change in the first 3 weeks of May. Maximum prices for coal, steel products, and various other industrial commodities have been raised somewhat in recent weeks.

Retail price changes for foods and other commodities apparently have continued to be small in April and the early part of May.

Bank credit

During the four weeks ended May 16 total deposit and currency holdings of businesses and individuals increased by nearly 3 billion dollars. Increases of about 300 million in currency and of over 400 million in reserves required to be held against expanding deposits at member banks resulted in an increased demand for reserve funds by member banks. This demand was supplied largely by an increase of about 500 millions of dollars in Reserve Bank holdings of Government securities, mostly bills and certificates, and in part by a temporary decline in Treasury deposits at the Reserve Banks. Excess reserves rose slightly to around a billion dollars.

In the 5 months between war loan drives, December 20 to May 16, reporting banks in 101 cities reduced their holdings of short-term Government securities by around 2.3 billion dollars in order to maintain adequate reserve balances. But during the same period bond holdings of these banks were increased by 1.6 billion dollars.

Loans to brokers and dealers for purchasing or carrying Government securities, which had declined in early April to a level comparable with that reached before the the Sixth War Loan Drive, rose substantially during the three weeks immediately preceding the Seventh War Loan Drive. Commercial loans declined during the interdrive period, reaching a level about 500 million dollars lower than that prevailing just before the Sixth War Loan Drive.

Extra Pay for Learning Arms for Navy Personnel

Enlisted men in the Navy and Coast Guard who achieve proficiency in the use of arms when their rating does not require it are to receive extra compensation, President Truman has ordered, an Associated Press report from Washington stated on May 26.

The extra compensation, ranging from $1 to $5 a month, the Navy explained, is intended as incentive to the enlisted man to achieve proficiency in the handling of some arms when his rating does not require such proficiency, although his battle station might involve such handling.

For example, an enlisted man with the rating of yeoman is not required to know how to operate a gun-range finder, but under the new order, if a yeoman qualifies as an operator of a gun-range finder he would be entitled to extra compensation.